THE GROUNDS
REAL ESTATE DEVELOPMENT AG

ANNUAL REPORT | 2021

THE GROUNDS

REAL ESTATE DEVELOPMENT AG

ANNUAL REPORT

for the financial year
1 January to 31 December

2021

This annual report was published on 13 April 2022 and is also available in English.
The German version takes precedent in the case of any doubt.

Both versions of the annual report are available online on our website:
www.thegroundsag.com/geschäftsberichte.html
www.thegroundsag.com/annual-reports.html

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

CONTENT

KEY FIGURES

Group key figures		31 Dec. 2021	31 Dec. 2020
Revenue	TEUR	31,588	31,263
… of which sales	TEUR	29,266	29,311
… of which rental income	TEUR	1,593	1,176
Earnings before interest and taxes (EBIT)	TEUR	9,170	6,104
Consolidated net earnings	TEUR	5,073	4,008
Earnings per share	EUR	0.29	0.22
Total assets	TEUR	102,902	87,428
Equity	TEUR	28,483	20,354
Equity ratio	%	27.7	23.3
Financial liabilities & bonds	TEUR	57,250	49,298
Loan to value (LTV)	%	65	65
Cash flow from operating activities	TEUR	6,999	−24,027
Cash flow from investing activities	TEUR	−14,723	−12,612
Cash flow from financing activities	TEUR	9,487	35,813
Employees		13	9

Portfolio key figures		31 Dec. 2021	31 Dec. 2020
Portfolio (Fixed assets)			
Living/usable space	m²	26,263	16,914
Units		410	262
Rental income p.a.	TEUR	1,486	948
Portfolio development (Current assets)			
Living/usable space	m²	7,027	4,704
Units		69	72
Rental income p.a.	TEUR	458	374
Land development			
Planned living/usable space	m²	30,168	70,554
Planned living/usable space in joint venture projects	m²	79,244	7,588

Overview of The Grounds shares (Xetra prices)		2021	2020
Market capitalisation (as at 31 Dec.)	TEUR	40,597	49,885
Share capital (as at 31 Dec.)	TEUR	17,805	17,805
Closing price	EUR	2.28	2.80
Share price low	EUR	1.95	1.03
Share price high	EUR	3.16	3.04
ISIN			DE000A2GSVV5
Segment			Primary market, Düsseldorf Stock Exchange

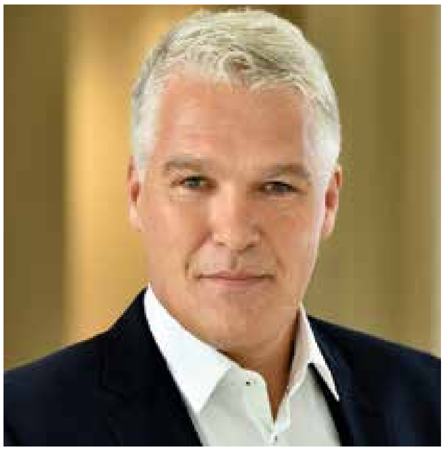
LETTER TO THE SHAREHOLDERS

Dear Shareholders,
Dear Ladies and Gentlemen,

Once again, we can look back at a successful financial year. We continued to expand our operating business significantly in 2021. With consolidated sales of EUR 31.6 million and EBIT of EUR 9.2 million, we exceeded our forecast for the 2021 financial year by more than a third. EBIT even climbed by 50% compared to the previous year (EUR 6.1 million). Consolidated earnings also increased by 26.6% to EUR 5.1 million (previous year: EUR 4.0 million).

Thanks to our capital market début with the issue of a convertible bond, which was subsequently increased to a total volume of EUR 16.8 million, we again accelerated our growth trajectory and total assets exceeded the EUR 100 million mark for the first time. This is more than triple the figure for 2019.

We resolutely maintained our strategy of focusing on residential portfolio and development properties. A total of 176 residential units were acquired in the area surrounding Berlin in the 2021 financial year, with an investment volume of more than EUR 25 million. These were instrumental in the doubling of investment property. All properties enjoy good transport links to Berlin and well-developed local infrastructure. They also have enormous potential to increase in value when



ARNDT KRIENEN

Executive Board

Arndt Krienen, lawyer, has been an member of the Company's Executive Board since March 2020.

Before his current position, Mr. Krienen was CEO of Westgrund AG (Berlin) as well as 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 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 (Köln) and Grillador AG (Remscheid).

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.

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.

newly let thanks to relatively low average rents and ongoing strong demand for housing in the Berlin area. Residential properties held in fixed assets for long-term management increased to 410 units by the end of the reporting year.

Sales of residential units in portfolio development and land developments are on track. The sale completion status for the projects in Berlin-Pankow and Meppen is already well over 50% and the project in Dallgow-Döberitz already has a sale completion status of 21% after sales began in September 2021. All residential units except one at our land developments LennéQuartier and Property Garden have been notarised. Furthermore, construction work is continuing to make progress. For example, the building shell was completed for the LennéQuartier project at the start of the year.

We exceeded the ambitious targets that we set for 2021 and are optimistic about our future as a business, despite the ongoing Covid-19 pandemic and the war in Ukraine. This development is also observed by two prestigious analysts, which provided coverage of the The Grounds Real Estate Development AG's shares in the 2021 financial year. Both Quirin Privatbank, which has issued a price target of EUR 3.50, and SMC (price target: EUR 3.90) believe our share has considerable upside potential and they will help raise our profile on the capital market.

Nonetheless, expected interest rate hikes and the federal government's new, ambitious target of carbon neutrality by 2045 are presenting the housing sector with new challenges, which we are tackling proactively so that we can maintain our success in the future.

We intend to generate consolidated sales of between EUR 35.0 million and EUR 38.0 million and EBIT of between EUR 8.0 million and EUR 9.0 million in 2022. The EBIT forecast does not plan for the additional earnings potential from the debtor warrant for the logistics property sold at the end of 2020 of up EUR 9.75 million. If the development plan is completed in 2022, which is a precondition for realising the warrant, sales and EBIT could be far higher.

We would like to thank you for the continued support and confidence over the past year. Our thanks also go to our employees, whose outstanding work and great dedication in tough conditions have been integral to the economic success of The Grounds.

Berlin, April 2022

The Management Board
Arndt Krienen Jacopo Mingazzini

REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

The Grounds Group can look back at a very successful 2021 financial year. Consolidated sales of EUR 31.6 million (previous year: EUR 31.3 million) and consolidated EBIT of EUR 9.2 million (previous year: EUR 6.1 million) were far higher than original sales and earnings forecasts. The growth trajectory enjoyed in 2020 continued in 2021. Investment property more than doubled to EUR 31.1 million (previous year: EUR 14.0 million). Inventories also climbed by 18 % despite steady disposals and now total EUR 38.0 million (previous year: EUR 32.2 million). Higher growth was propelled chiefly by the capital market début. A EUR 12 million convertible bond was successfully placed in February 2021. This convertible bond was increased by a further EUR 4.8 million in October 2021.

The Supervisory Board of The Grounds Real Estate Development AG performed the duties incumbent upon it under the law, the Articles of Association and rules of procedure in full and as required in the 2021 financial year. The Supervisory Board continually monitored the Management Board's leadership and regularly advised the Management Board on managing the company. The Supervisory Board was satisfied that the management's work was legal, appropriate and correct at all times. The Management Board provided the Supervisory Board with regular, timely and comprehensive verbal and written reports. At and in addition to their joint meetings, the Management Board informed the Supervisory Board in detail of the business situation and development at all The Grounds Group companies, corporate planning, financial performance and capital measures, the status of individual projects and the project pipeline. The Management Board always met its requirements to provide information to an appropriate level. The Supervisory Board was involved in all significant developments and business transactions for the company and passed the resolutions required by the law, the Articles of Association and/or the rules of procedure on the basis of the Management Board's proposals (see section below: Work of the Supervisory Board in the reporting year). The Supervisory Board Chairman and the Management Board maintained close contact between the Supervisory Board meetings.

Composition of the Management Board and the Supervisory Board

The Management Board was unchanged in the reporting year and comprised Arndt Krienen and Jacopo Mingazzini, while the following changes were made to the composition of the Supervisory Board:

The Supervisory Board member Mr Hansjörg Plaggemars resigned from the board with effect from the end of the Annual General Meeting on 27 August 2021. Supervisory Board elections were thus held on 27 August 2021. The shareholders elected Mr Timo Tschammler, a property sector business administration graduate, Managing Director of MOUNT Real Estate Capital Partners GmbH in Hamburg and Managing Partner of TwainTowers GmbH in Frankfurt am Main, residing in Berlin, to the Supervisory Board. Mr Armin H. Hofmann, lawyer and entrepreneur (Millennium group), residing in Frankfurt am Main, was also appointed to the Supervisory Board by the shareholders, as he had previously been appointed only by the court by way of a resolution by the Charlottenburg District Court on 16 December 2020. At the Supervisory Board meeting following the Annual General Meeting, the Supervisory Board was newly formed as follows: Mr Tschammler was appointed Supervisory Board Chairman and Mr Hofmann was appointed Vice Chairman. Eric Mozanowski was also a Supervisory Board member.

Work of the Supervisory Board in the reporting year

Four Supervisory Board meetings were held in the reporting year on 4 March, 22 June, 27 August and 4 November 2021. All members of the Supervisory Board and the Management Board attended these meetings. The meeting to approve the financial statements for the 2020 financial year on 22 June 2021 was also attended by representatives of the auditor, Buschmann & Bretzel GmbH Wirtschaftsprüfungsgesellschaft (hereinafter referred to as Buschmann & Bretzel), Berlin, as guests. On account of the ongoing Covid-19 pandemic, some of the meetings were held as video conferences. In the case of in-person meetings, some Supervisory Board members joined by telephone.

The Supervisory Board also passed several resolutions by way of circular vote. These included the approval of property purchases, the agenda for the Annual General Meeting on 27 August 2021 and the issue of the convertible bond 2021/2024 with shareholder pre-emption rights. Regarding the convertible bond, the Supervisory Board agreed to issue the convertible bond at a volume of up to EUR 12 million on 26 January 2021 and to increase it by a further up to EUR 4.8 million on 29 September.

In addition to the Management Board reports on the business situation and ongoing projects, at its meetings the Supervisory Board primarily discussed potential property/project acquisitions and sales, financing issues and the preparation of the 2021 Annual General Meeting.

Annual and consolidated financial statements as at 31 December 2021

The Annual General Meeting on 27 August 2021 appointed Buschmann & Bretzel as the auditor of the annual and consolidated financial statements for the 2021 financial year. The auditor audited the annual financial statements in accordance with HGB and the consolidated financial statements under IFRS prepared by the Management Board, including the Group management report, and issued an unqualified audit opinion.

All Supervisory Board members received the Management Board's documents relating to the financial statements and its proposal for the appropriation of net income for the year and the auditor's audit report well in advance of the Supervisory Board meeting to review the accounts on 12 April 2022.

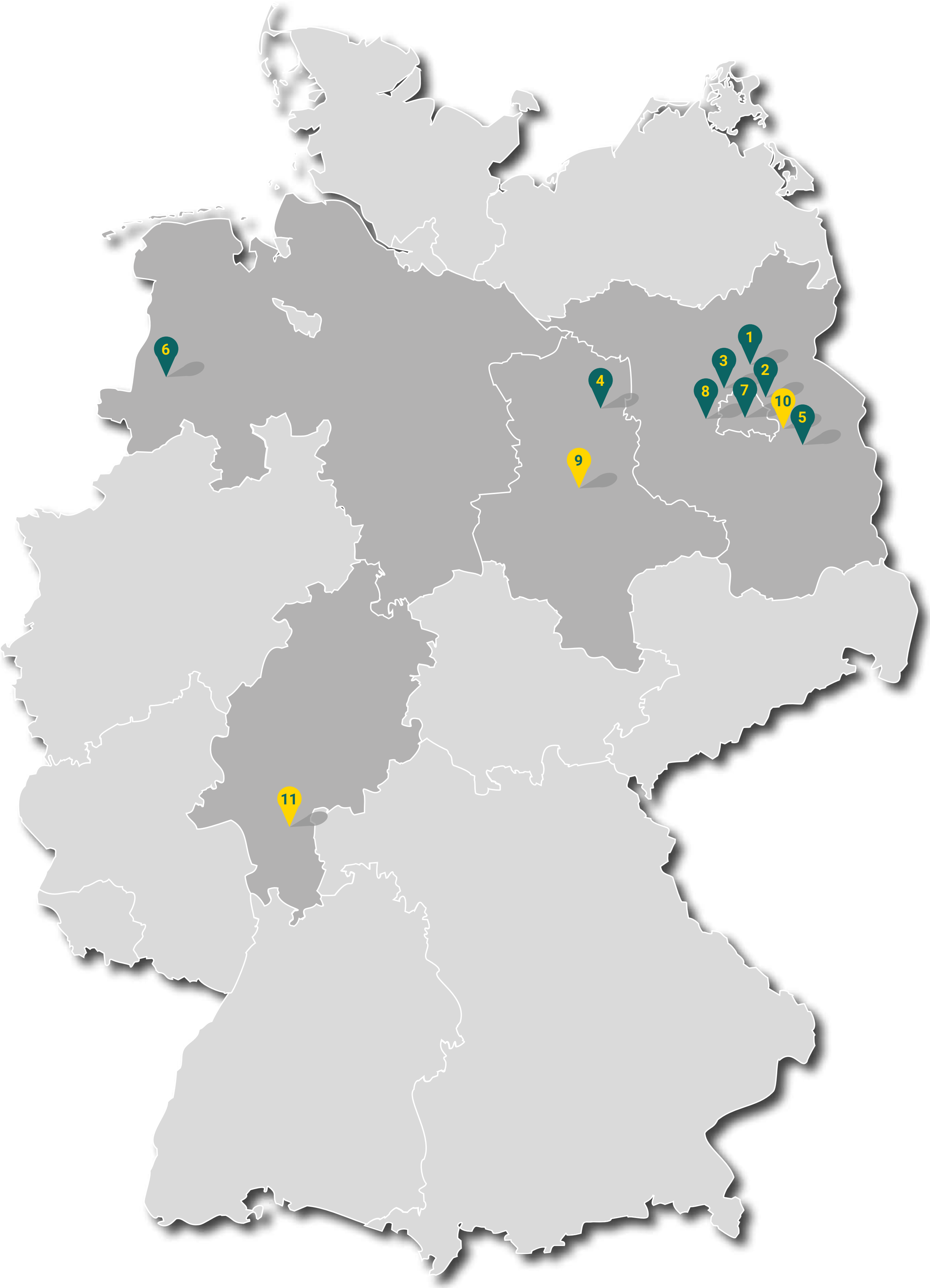
On 12 April 2022, the Supervisory Board and the Management Board discussed the financial statements and audit reports in the presence of representatives of the auditor. The auditor presented its audit results, with a particular emphasis on key audit matters and previously agreed focus areas. It also reported that it found no material weaknesses in the internal control system for the accounting process. The auditor comprehensively answered all of the Supervisory Board's questions on the documents relating to the financial statements and the audit process. The Supervisory Board endorsed the auditor's conclusions and, based on its own examination, found no cause for objection. On 12 April 2022, the Supervisory Board thus approved the annual financial statements and the consolidated financial statements, including the Group management report, of The Grounds Real Estate Development AG. The annual financial statements are thus adopted in accordance with Section 172 Aktiengesetz (German Stock Corporation Act – AktG). The Supervisory Board also endorsed the Management Board's proposal for the appropriation of profits.

This Supervisory Board report was also discussed and adopted. In addition, the Management Board and Supervisory Board discussed the 2022 Annual General Meeting, which is to take place on 21 June 2022 in Berlin as a virtual meeting.

The Supervisory Board would like to thank all employees at The Grounds Group and the Management Board for the high level of personal dedication they have shown in the second year of the pandemic and the contribution they have made to the company's business success.

Berlin, 12 April 2022

Timo Tschammler
Chairman of the Supervisory Board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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

2 Bernau
Fixed assets

3 Kremmen
Fixed assets

4 Stendal/Prignitz
Fixed assets

5 Rauen
Fixed assets

6 Meppen
Portfolio development

7 Berlin-Pankow
Portfolio development

8 Dallgow-Döberitz
Portfolio development

9 Magdeburg
Land development

- Property Garden
- LennéQuartier
- Central Offices
- Börde Bogen (Joint Venture)

10 Erkner
Land development

11 Neu-Isenburg
Land development
(Joint Venture)

PORTFOLIO OVERVIEW

Portfolio properties

Our rental portfolio properties

Schorfheide near Eberswalde 1

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

Bernau 2

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

Kremmen 3

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

Stendal/Prignitz 4

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

Rauen near Fürstenwalde 5

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

Portfolio development

Condominiums and terraced houses for investors and owner occupiers

Meppen

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

Berlin-Pankow

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

Dallgow-Döberitz

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

* Number of residential units and space refers to the units transferred after the integration of Capstone Opportunities AG in 2020.

Land development

Our land development projects

Property Garden in Magdeburg

9

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

LennéQuartier in Magdeburg

9

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

Central Offices in Magdeburg

9

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

Terra Homes in Erkner

10

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

Joint ventures

Joint development of land

Börde Bogen in Magdeburg

9

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

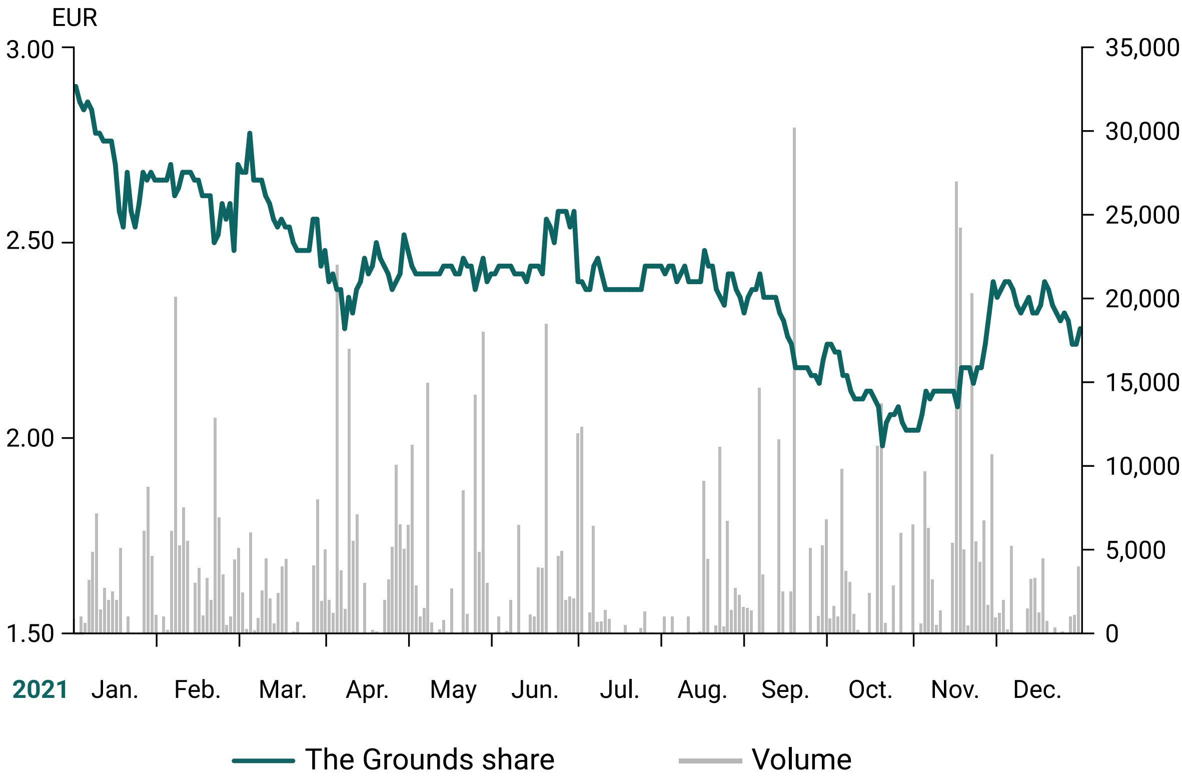
Terminal 3 in Neu-Isenburg

11

- Hotel
- Gross floor space: 10,322 m²
- Approved

THE GROUNDS ON THE CAPITAL MARKET

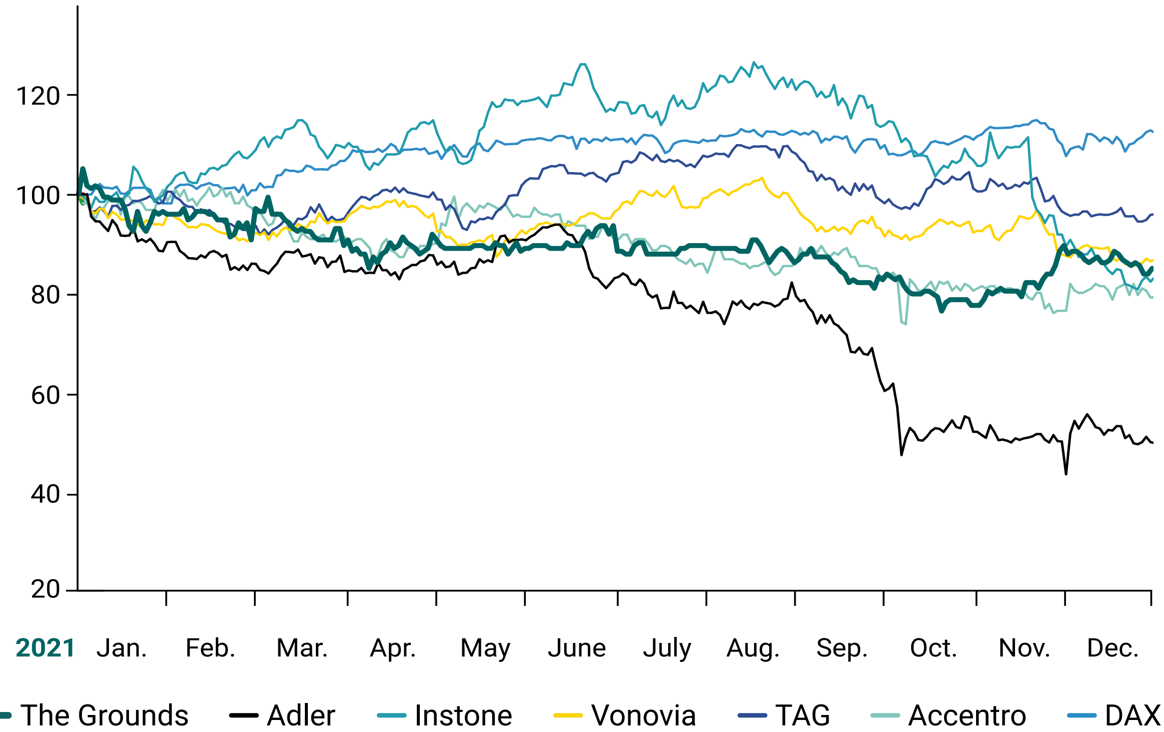
Development of The Grounds Share from 1 January to 31 December 2021 (Xetra prices)



DAX climbs to new record high in 2021 – 2021 a successful year for stock markets despite pandemic, inflation and supply bottlenecks

Following the memorable and extremely volatile stock market year that was 2020, international stock markets proved very robust in 2021 despite ongoing turbulence. From an investor perspective, 2021 was a very successful year for stock markets. The German benchmark index DAX, which was increased from 30 to 40 stocks, closed 2021 up almost 16% at 15,844 points (30 December 2020: 13,719 points). Positive economic development, record profits at large companies and the lack of alternatives in a zero-interest-rate world outweighed pandemic fears, concern over inflation and supply bottlenecks in industrial production.

Indexed price performance of property shares in Germany from 1 January to 31 December 2021 (Xetra)



German property shares lagged behind DAX performance in 2021

German property shares (stocks included in the DAX, MDAX and SDAX share indices on the German Stock Exchange) were unable to maintain their long streak of good performance in 2021 and experienced general price declines. All listed residential companies on the DAX, MDAX and SDAX were down on the previous year's closing rate as at 31 December 2021. As well as rising inflation and an increased risk of interest rate hikes, additional political and regulatory uncertainty following Germany's Bundestag election was also a factor in weaker residential property equities on the stock market in 2021.

We believe that the market environment for the German housing sector remains positive. In particular, there is still an imbalance of supply and demand, creating shortfalls in metropolitan regions and surrounding areas that will increase prices in the future. Given this, we consider ourselves well positioned to achieve business success in the future.

Growth at The Grounds not reflected in share price performance

The Grounds shares initially got 2021 off to a lively start, peaking at a multi-year high of EUR 3.16 at the beginning of the year. However, The Ground's shares were unable to maintain this momentum and the exceptionally strong performance of 2020 (Xetra annual increase: 183%) in 2021. Although they recovered again somewhat from cross-sector price declines and the stock market slump driven by Omicron towards the end of the year, The Grounds's shares closed 2021 at EUR 2.28. This represents a decrease of 18.6%. At 0.8 million, the volume of shares traded in 2021 (Xetra, previous year: 1.9 million shares) was also far lower than the extremely volatile 2020 stock market year.

The share price level in 2021 bore little resemblance to The Ground's good business performance that was expected. Analysts at SMC Research and Quirin Privatbank Equity Research also believe the share has significant share price potential and recommend "Buy", putting the price target at EUR 3.90/EUR 3.50. Considering the price level at the end of 2021, there is thus upside potential of up to 71.1%.

The Grounds share at a glance

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

In mid-2021, the Vice Supervisory Board Chairman Armin H. Hofmann increased his stake in The Grounds to 32.3% via Millennium Verwaltungs GmbH. This makes him the largest single shareholder of The Grounds, followed by ZuHause Immobilien Handelsgesellschaft mbH which holds 12.7% (attributable to the Supervisory Board member Eric Mozanowski) and Tarentum GmbH (Single Family Office) with 12.5%. About 27% of shares are in free float.

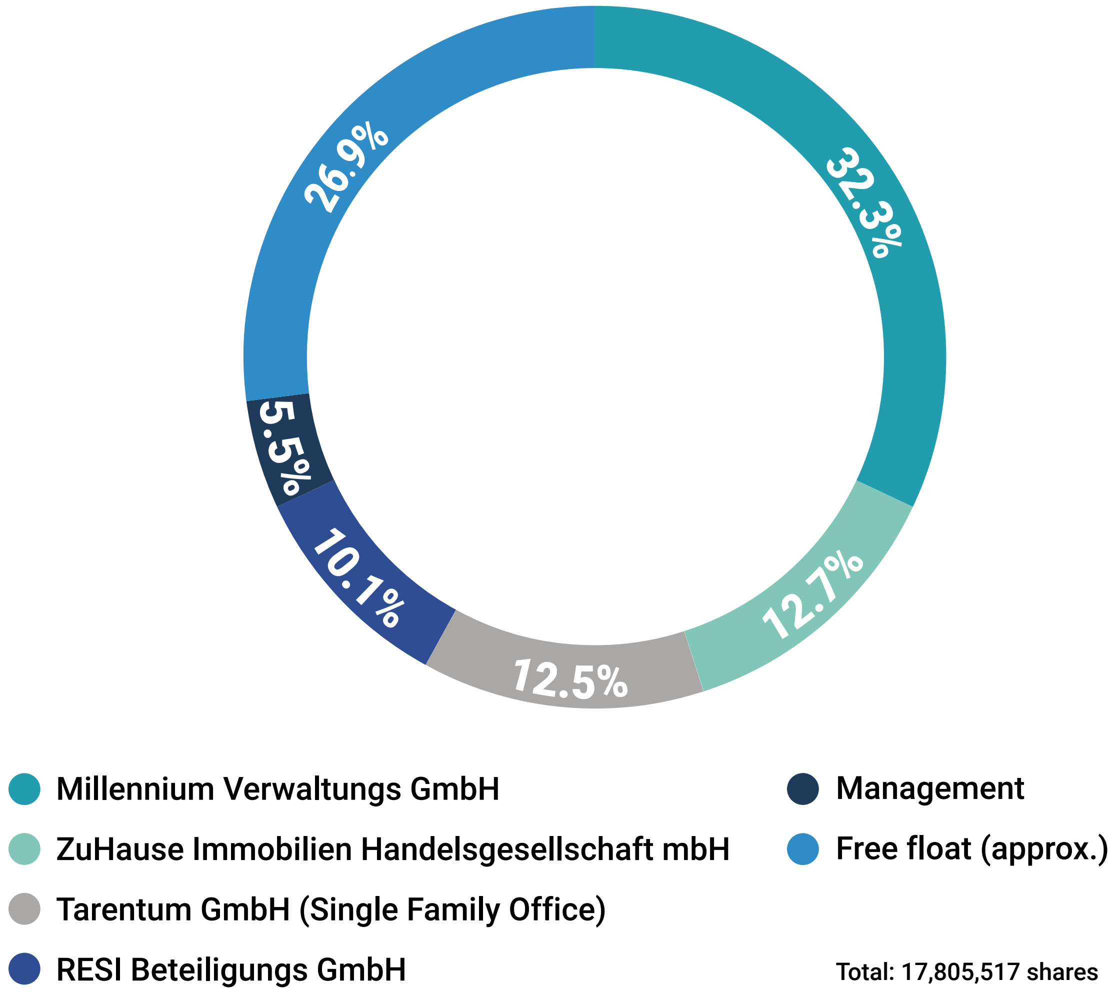
The Grounds' market capitalisation as at 31 December 2021 was EUR 40.6 million.

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 31 Dec.	17,805,517	
Analyst recommendations	SMC Research Price target: EUR 3.90 “Buy”	Quirin Privatbank E.R. Price target: EUR 3.50 “Buy”
Share price at the end of the financial year*	**2021**	**2020**
Percentage change in year	EUR 2.28	EUR 2.80
Percentage change in year	−18.6%	+182.8 %
Market capitalisation as at 31 December	EUR 40,596,579	EUR 49,855,448
Annual high*	EUR 3.16	EUR 3.04
Annual low*	EUR 1.95	EUR 1.03

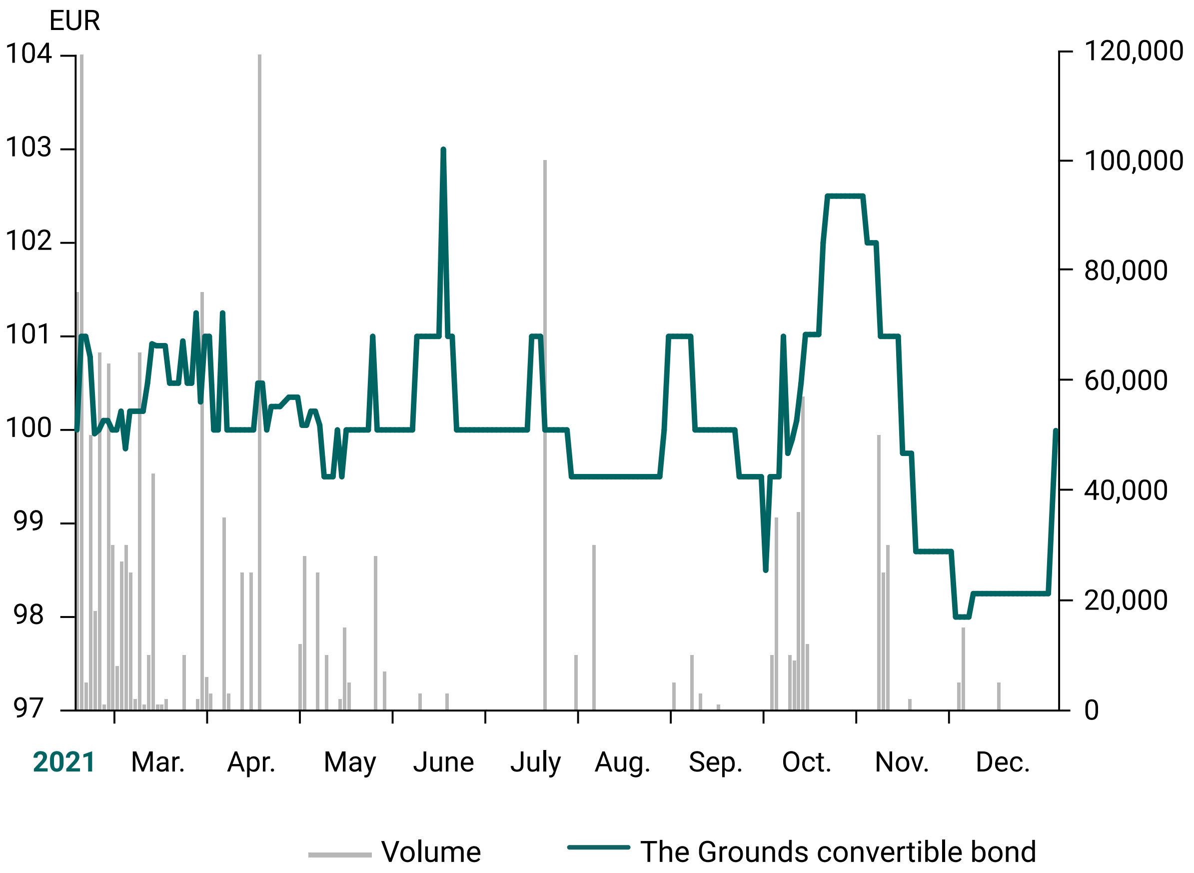
* Prices on Xetra trading system of Deutsche Börse AG

Shareholder structure (as at December 2021)



The Grounds convertible bond: 6.00% (2021/2024; ISIN DE000A3H3FH2)

Development of The Grounds convertible bond from 18 February 2021 to 31 December 2021 (Frankfurt prices)



Successful positioning on capital market thanks to convertible bond issued in February 2021 and increased in October 2021

The Grounds successfully placed its first EUR 12 million convertible bond in mid-February 2021, which was heavily oversubscribed. Demand was so much higher than the issue that major shareholders withdrew from a considerable share of their original subscription registrations of around EUR 5 million in order to expand the company's investor base. This was a successful début issue for The Grounds and a key milestone in establishing the company further on the capital market.

In October 2021, The Grounds increased the EUR 12 million convertible bond issued at the start of the year by a further EUR 4.8 million. As when the bond was first issued in February, the increase was again heavily oversubscribed. The Grounds will use the funds to further develop its three core business activities by expanding its portfolio holding, continuing to build up the housing portfolio for privatisation and investing in project developments.

The EUR 16.8 million convertible bond matures on 18 February 2024 and has a coupon of 6.00% p.a. The conversion price is EUR 3.20 per share. On 18 February 2021, the convertible bond was included for trading in the Quotation Board of the Frankfurt Stock Exchange.

The convertible bond was slightly higher than its issue price for most of the year (Frankfurt Stock Exchange). Like The Grounds shares, it suffered from the sluggish overall environment towards the end of 2021, but it recovered from the price losses and closed 2021 at its issue price. In terms of trading volume (Frankfurt Stock Exchange), the first two months after the convertible bond was issued were the strongest, with the bond trading more than EUR 1 million by the end of April. About EUR 1.7 million was traded in 2021 as a whole.

The Grounds convertible bond at a glance

ISIN / WKN	DE000A3H3FH2 / A3H3FH
Market segment	Quotation Board, Frankfurt Stock Exchange
Term	18 Feb. 2021–18 Feb. 2024
Volume/denomination	EUR 16.8 million/16,800 at EUR 1,000 EUR par value
Interest coupon	6.00% p.a.
Conversion price	EUR 3.20
Conversion as at	Immediately

GROUP MANAGEMENT REPORT 2021

1 Basic Information on the Group

1.1 Overview

The Grounds Real Estate Development AG (hereinafter referred to as "The Grounds") is listed in the Düsseldorf Stock Exchange's OTC segment of the primary market, on the OTC market of the Frankfurt Stock Exchange where the shares are traded on Xetra and on the Tradegate Exchange.

The Grounds Group carries out housing projects in German metropolitan regions and urban areas. Its business activities cover three core areas: establishing its own property portfolio, developing and selling existing flats and developing new housing construction projects with the aim of selling to institutional investors, capital backers and owner occupiers.

1.2 Group structure and management system

The Grounds Real Estate Development AG is the parent company. The Grounds operates as a management holding company. Central areas such as legal, accounting, taxes, controlling, staff, sales, financing, risk management, transaction management and commercial and technical asset management are located at the company.

The Group is structurally divided into additional subgroups and property companies, each of which own property portfolios and are included in the consolidated financial statements of The Grounds. Please see the notes to the consolidated financial statements for a complete overview of the individual Group and associated companies of The Grounds.

The Grounds has several strategic investments in project development companies, which are not included in the consolidated financial statements as subsidiaries. Where the interest exceeds 20%, pro-rata net earnings are included in at-equity earnings in the income statement. For all other equity interests, earnings contributions are recognised as investment income.

Given the size of the company, The Grounds Group does not divide its reporting into segments.

Consolidated earnings before interest and taxes (EBIT) is the financial performance indicator used to manage the company. Depending on the value chain, the management system includes material management parameters such as net earnings from the sale of properties and net operating income. In addition, other factors are included in the management system to individually manage each property depending on its strategic focus. Factors such as rent performance and vacancy rates play a role for existing portfolios. When it comes to retail sales, reservations and viewings are leading indicators for company performance. Sales and EBIT are used for the management report.

1.3 Business model

The Grounds carries out housing projects in German metropolitan regions and cities experiencing population growth and good economic prospects. Core business comprises generating value from sustainable cash flows from managing existing properties and attractive sales income from developing and selling residential properties in Germany.

The land development area covers the development – up to turnkey construction – of housing with the aim of selling these properties to retail investors on an individual basis and to institutional investors as a block.

Accordingly, The Grounds benefits from high returns in land development and stable earnings from managing its own portfolio. In the medium term, The Grounds is aiming for stronger positioning on the capital market.

As at the end of the reporting period, the portfolio of The Grounds included the following projects:

Project development

Location	Project	Usable space/ gross floor space	Type	Status
		m²		
Magdeburg	Residential	5,100	Development/ retail sale	Under construction, sold**
Magdeburg	Commercial	17,140*	Development/ forward sale	In planning
Magdeburg	Residential	3,649	Development/ retail sale	Approved, sold***
Erkner	Residential	4,279	Development/ retail sale	Approved, sold****

* Gross floor space
** 100% of the properties had already been sold by Q1 2021.
*** 98.4% of the properties had already been sold by Q1 2022.
**** Sold to institutional investors in Q1 2022.

In addition, a purchase agreement was concluded for a development in Bad Zwischenahn with planned usable space of 30,628 m² and two existing buildings with usable space of 1,450 m². The purchase price will be paid in full after the development plan is complete. Rights of withdrawal were also agreed for all parties.

The Grounds is also a joint venture partner in three land development projects with planned gross floor space of 79,244 m².

Fixed assets

Location	Project	Units	Usable space in m²	Rental income p.a. (31 December 2021)
			m²	TEUR
Stendal and surrounding area	Residential	262	17,147	807
Kremmen	Residential	24	1,430	97
Bernau	Residential	59	4,070	331
Schorfheide	Residential	38	2,066	155
Rauen	Residential	27	1,550	96
Total		**410**	**26,263**	**1,486**

Portfolio development

Location	Project	Units	Usable space in m²	Rental income p.a. (31 December 2021)	Sale completion status*	Type
			m²	TEUR		
Meppen	Residential	44	3,109	110	55%	Retail sale
Berlin	Residential	24	1,858	103	71%	Retail sale
Dallgow-Döberitz	Residential	28	3,939	248	21%	Retail sale
Total		**96**	**8,906**	**458**		

*Certification status Q1 2022

1.4 Executive bodies and employees

As previously, The Grounds was managed by its two Management Board members Arndt Krienen and Jacopo Mingazzini in the reporting year.

The Supervisory Board member Mr Hansjörg Plaggemars resigned from the board with effect from the end of the Annual General Meeting on 27 August 2021. Supervisory Board elections were thus held on 27 August 2021. The shareholders elected Mr Timo Tschammler, a property sector business administration graduate, Managing Director of MOUNT Real Estate Capital Partners GmbH in Hamburg and Managing Partner of TwainTowers GmbH in Frankfurt/Main, residing in Berlin, to the Supervisory Board. Mr Armin H. Hofmann, lawyer and entrepreneur (Millennium group), residing in Frankfurt/Main, was also appointed to the Supervisory Board by the shareholders, as he had previously been appointed only by the court by way of a resolution by the Charlottenburg District Court on 16 December 2020. Following the Annual General Meeting, the Supervisory Board was newly formed as follows: Mr Tschammler was appointed Supervisory Board Chairman and Mr Hofmann was appointed Vice Chairman.

The Grounds Group's workforce was expanded further. The Grounds Group employed a total of 13 people on average in the 2021 financial year (previous year: 9).

2 Economic Report

2.1 Macroeconomic development[1]

German gross domestic product picked up by 2.7% in 2021 following the sharp slump in the previous year caused by the pandemic (previous year: –4.9%). Although 2021 was to some extent still severely affected by Covid-19 cases and government restrictions put in place to contain the pandemic, the German economy recovered thanks to the availability of the Covid vaccine and the success in vaccinating the wider population. Economic output rose in almost all areas of the economy, although it still fell far short of pre-pandemic levels in some cases.

Another impact of the pandemic was seen in disruptions to global supply chains. Rising transport costs, shortages of commodities and raw materials and a lack of capacity for transport and goods handling hurt industrial production. This resulted in a high order backlog in 2021, which could not be processed at the usual pace. At the same time, supply and transport bottlenecks prompted steep price hikes in the production and import of intermediate goods. Consumer prices rose by a significant 3.1% in 2021, the greatest increase seen since 1993.

Private consumer spending was hit particularly hard by the restrictions and stabilised at the low levels recorded in 2020. While investment in machinery and equipment and in vehicles rose by 3.2% (adjusted for prices) and at least some investment that had been postponed in the previous year was recovered, construction investment increased by just 0.5%. This was the result of full capacity utilisation due to labour shortages and the materials shortage in connection with supply bottlenecks. Exports (+9.4%) and imports (+8.6%) recovered well.

As in the previous year, about 44.9 million people were in employment. However, many of them moved sectors or changed jobs. The difference compared to pre-pandemic levels in 2019 was 0.9% or 363,000 people.

[1] See. https://www.destatis.de/DE/Presse/Pressekonferenzen/2022/BIP2021/statement-bip.pdf?__blob=publicationFile

2.2 Sector situation

German construction industry

As expected by central construction associations given the ripple effects of the pandemic, the main German construction sector generated nominal sales of EUR 143.5 billion in 2021, on par with the previous year (nominal sales increase of 0.5%). Demand for construction services picked up again in 2021 and the order backlog at the end of the third quarter was almost EUR 13 billion (up almost 20% year on year). However, problems in procuring materials and the subsequent sharp hike in procurement prices meant that it took longer to process this high order backlog.[2] On average, the price of metallic goods rose by 24.5% in 2021, with wood skyrocketing by 52.5%.[3] The cost of new construction also climbed considerably in line with this and the cost of building new housing rose by 9.1% year on year in 2021 on average.[4] These figures show that German construction companies were able to pass some of the cost increases on to their customers. Overall, however, the main German construction sector still saw sales decline by 6% in real terms in 2021:[5]

With nominal sales up 2% at EUR 55.4 billion, residential construction was again the strongest driver of growth in the construction economy in 2021.[6] Demand for housing remained high, with just over 381,000 new homes approved between January and the end of December 2021. That represents an increase of 3.3% compared to the previous year and the highest number of approvals for more than 20 years.[7] The central construction associations assume that about 310,000 homes will be completed in 2021.

Commercial construction also ended the reporting year with a high order backlog and nominal sales growth of 1% to EUR 50.3 billion. Nevertheless, this area of construction remains under greater pressure from the pandemic. Overall, investment appetite in commercial construction picked up again, but there are still major differences between different types of buildings. While demand for commercial buildings and in the hotel and hospitality sector was weak, investments in warehouse space, hospitals and office buildings increased.

[2] See https://www.zdb.de/fileadmin/user_upload/2021-16-12_Arugmentationslinie_PK_final.pdf page 2
[3] See https://www.destatis.de/DE/Themen/Wirtschaft/Preise/Erzeugerpreisindex-gewerbliche-Produkte/Publikationen/Downloads-Erzeugerpreise/erzeugerpreise-2170200211124.pdf?__blob=publicationFile page 4
[4] See https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/02/PD22_N006_61.html
[5] See https://www.zdb.de/fileadmin/user_upload/2021-16-12_Arugmentationslinie_PK_final.pdf page 2
[6] See ebd. page 3
[7] See https://de.finance.yahoo.com/nachrichten/fast-381-000-neubauwohnungen-2021-091652647.html

As expected, public-sector construction reported a nominal sales loss of 3%, falling to EUR 37.8 billion. The rescue package launched by the federal and state governments in 2020 helped local councils with the planned investment budgets in 2020. No such instruments were available in 2021.[8]

Residential properties[9]

Germany reported a new trading record for residential properties in 2021 at EUR 51.8 billion (calculations by Savills, transactions of 50 units or more). The previous high recorded in 2015 (EUR 23.3 billion) and the previous year's figure (EUR 20.5 billion) were each more than doubled. Even adjusted by around EUR 20 billion in connection with Vonovia's takeover of Deutsche Wohnen, the figure is far higher than 2015's peak. For the first time ever, housing generated the most sales out of all the types of use, ahead of offices. Residential property, a safe and stable investment during the coronavirus crisis, is extremely popular. This is increasingly the case even among international investors, who purchased EUR 10 billion of German residential properties in 2021, almost tripling the previous record.

About 284,000 residential units were traded in 2021, almost 86% of which in portfolio transactions. Thanks primarily to the takeover of Deutsche Wohnen, Berlin generated the highest sales by far, accounting for slightly more than half of all residential units traded (approx. 56% of the transaction volume in 2021).

EUR 5.6 billion of the total transaction volume was attributable to investments in project developments – also a new record. The new buildings that are in highest demand are not only exempt from some rent regulations, they also enjoy advantages in terms of (expected) higher inflation (including lower operating and maintenance costs, often indexed leases).

Nonetheless, high demand for residential properties resulted in slight yield compression in the top 7 cities (Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich and Stuttgart). Prime yields here declined to 2.2% on average at the end of 2021 (previous year: 2.3%).[10]

[8] See https://www.zdb.de/fileadmin/user_upload/2021-16-12_Arugmentationslinie_PK_final.pdf pge 3-4
[9] See https://www.savills.de/insight-and-opinion/savills-news/323215/wohninvestmentmarkt-deutschland-2021 and https://pdf.euro.savills.co.uk/germany-research/2021/market-in-minutes-investmentmarkt-deutschland-jan-2022-final.pdf
[10] See https://www.haufe.de/immobilien/entwicklung-vermarktung/marktanalysen/wohnimmobilien-investmentmarkt-deutschland_84324_527002.html

The microapartments and student housing segment, which was depressed in the previous year by the pandemic, also set a new investment record in 2021: EUR 1.3 billion (previous year: EUR 637 million; calculated by CBRE) was invested in the segment, which offers more attractive yields than conventional housing and is sought after by investors both as an addition to conventional residential portfolios and as an independent portfolio.[11]

Commercial properties[12]

The transaction volume on the investment market for commercial properties stabilised at a very high level of EUR 58.8 billion in 2021 (previous year: EUR 60.8 billion), down slightly on the previous year. In retrospect, the pandemic had only a minor impact on the German property investment market compared to the 2008 financial crisis. Market momentum recovered in 2021 – while sales in the first quarter came to just EUR 10 billion, they rose to more than EUR 18 billion in the final quarter of 2021. Demand in the core segment remains high and investor interest in higher-risk segments is also picking up again.

At EUR 26 billion, office properties continued to generate by far the most sales. The segment benefited both from stability on rental markets and the full development pipeline. Retail and logistics properties accounted for EUR 9 billion each, with sales of industrial/logistics properties picking up by 18% year on year and sales of retail properties declining by 23%.

Prime yields dropped considerably for most property types. These saw a strong downturn for supermarkets (initial yield –1.3%), retail parks (prime yield –40 basis points to 3.5%) and logistics properties (–40 basis points to 3.1%), whereas prime yields for shopping centres stagnated at 5.0% and those for commercial buildings increased by 20 basis points to 3.1%.

[11] See ibid.
[12] See https://www.savills.de/insight-and-opinion/savills-news/323216/gewerbeinvestmentmarkt-deutschland-2021

3 Business Performance

With consolidated sales in line with the previous year at EUR 31.6 million (previous year: EUR 31.3 million), The Grounds again boosted consolidated EBIT significantly to EUR 9.2 million in the 2021 financial year (previous year: EUR 6.1 million). This far exceeded both previous year figures and the forecast for the year.

The sale of a 51% majority interest in the Börde Bogen project in Magdeburg to the joint venture partner Stonehedge SHG 1 Beteiligungs GmbH was instrumental in this. However, value development of the portfolio of fixed assets, the recognition of sales according to construction completion for land developments and sales revenue from portfolio development also contributed to sales and earnings.

The Grounds also successfully made its capital market debut in 2021 by issuing a convertible bond with a total volume of EUR 16.8 million. The initial EUR 12 million issue in February 2021 was followed by a EUR 4.8 million increase in October 2021, which was also heavily oversubscribed. The convertible bond is listed on the Quotation Board of the Frankfurt Stock Exchange, matures in mid-February 2024 and has a coupon of 6.0% p.a. It can be converted at a price of EUR 3.20 per share.

The funds generated from this were used to further expand the property portfolio in fixed assets and inventories. This increased the existing portfolio by 121.8% to EUR 31.1 million and the properties in inventories by 17.9% to EUR 38.0 million. A total of 148 units were acquired for the portfolio and 28 units for portfolio development with intention to sell as part of a retail sale in the 2021 financial year. The total investment volume was EUR 25 million. All acquisitions were in the area around Berlin, which is currently experiencing a boom thanks to growing demand in connection with good economic development and the sustained housing shortage in Berlin. All properties enjoy good transport links to Berlin and well-developed local infrastructure and have enormous potential to increase in value when newly let thanks to relatively low average rents.

In the area of portfolio development, sales continued to make progress. 55% of all units acquired from Meppen, 71% of those from the Berlin-Pankow project and 21% of the terraced houses in Dallgow-Döberitz were sold by the end of the first quarter of 2022. In the 2021 financial year, benefits and encumbrances were transferred for 23 units of the 64 units originally owned as at 31 December 2021. It is planned to sell all units from the projects in Meppen and Berlin-Pankow by the end of 2022.

Both planning and construction are progressing as planned in the project developments. The building shell was completed for the LennéQuartier construction project in Magdeburg, which has already been sold in full, in the first quarter of 2022. Demolition work began in 2022 for the second Magdeburg project, which has almost been entirely sold. In addition, an institutional investor was also found for our development project in Erkner and site development is to begin in April. The construction permit for the commercial project development (office) in Magdeburg should be granted in April 2022.

3.1 Earnings

The most important sales and earnings figures for The Grounds Group in the 2021 financial year developed as follows:

	2021	2020
	EUR million	EUR million
Sales	31.6	31.3
EBIT	9.2	6.1
Consolidated net earnings	**5.1**	**4.0**

At EUR 31.6 million (previous year: EUR 31.3 million), consolidated sales were similar to the previous year's level but far higher than the original forecast of EUR 23 million for the 2021 reporting year. Most consolidated sales (EUR 29.3 million) were generated from the sale of property projects and from the time-period related recognition of sales from a project development in Magdeburg. In addition, rental income increased by 35% to EUR 1.6 million (previous year: EUR 1.2 million).

	2021	2020
	TEUR	TEUR
Rental income from portfolio properties	1,011	1,095
Rental income from properties held for sale	582	81
Total rental income	**1,593**	**1,176**

Part of the positive earnings in the financial year was the result of a EUR 2.2 million fair value adjustment (previous year: EUR 2.8 million) of investment property. Details on this can be found in section 8.6 in the notes to the consolidated financial statements.

Earnings from companies included at equity of EUR 0.1 million are in line with the previous year's figure (previous year: EUR 0.1 million) and essentially result from the pro-rata earnings of a joint venture project in Frankfurt. Other operating income of EUR 0.8 million (previous year: EUR 0.1 million) is up on the previous year and primarily reflects the first-time consolidation of the LennéQuartier project in Magdeburg.

Sales of EUR 31.6 million were offset in the 2021 financial year by a lower cost of materials compared to the previous year of EUR 21.5 million (previous year: EUR 24.9 million) and thus helped increase EBIT. The cost of materials essentially includes expenses from selling of properties held for sale.

By contrast, personnel expenses climbed to EUR 1.9 million (previous year: EUR 1.0 million) in connection with the increase in business activities, a result of a larger workforce and accounting for Management Board salaries for the year as a whole.

Other operating expenses of EUR 2.5 million (previous year: EUR 1.8 million) comprised primarily third-party services, legal and consulting costs, write-downs on receivables and capital market costs.

Accordingly, EBIT rose significantly to EUR 9.2 million (previous year: EUR 6.1 million).

A convertible bond was issued in the 2021 financial year to drive growth. This also pushed up interest expenditure significantly and resulted in a change in the financial result to EUR –2.1 million (previous year: EUR –1.0 million). The Grounds generated consolidated earnings before tax of EUR 7.0 million (previous year: 5.1 million). After tax, consolidated earnings came to EUR 5.1 million (previous year: EUR 4.0 million), up 27% year on year. Earnings per share came to EUR 0.29 (previous year: EUR 0.22).

3.2 Financial and asset position

The growth trajectory seen in 2020 continued in the 2021 financial year. Total consolidated assets as at the end of the reporting period 31 December 2021 increased by 18% to EUR 102.9 million (previous year: EUR 87.4 million) and reflected the ongoing successful expansion of the property portfolio in the reporting year.

Under assets in the consolidated statement of financial position, non-current assets increased sharply to EUR 41.1 million (previous year: EUR 21.6 million). The most significant factor affecting this was the increase in investment property (up EUR 17.1 million to EUR 31.1 million) in connection with the acquisition of 148 residential units in the area surrounding Berlin. In addition, interest in companies accounted for using the equity method increased by EUR 2.7 million to EUR 5.4 million (previous year: EUR 2.7 million), essentially due to the sale of the majority share in the Börde Bogen project development.

Current assets of EUR 61.8 million (previous year: EUR 65.8 million) declined by EUR 4.0 million year on year. Despite steady disposals, properties held for sale were expanded by 18% to EUR 38.0 million. As well as selling 28 terraced houses in Dallgow-Döberitz, investments in land developments also led to higher inventories. Trade receivables were also up year on year, increasing from EUR 0.1 million to EUR 2.7 million. This rise is attributable primarily to a claim for payment of the remainder of the purchase price from the Börde Bogen sale that is still linked to the project's building planning progress. At the same time, contract assets declined from EUR 12.4 million to EUR 4.6 million. Here, advance payments made by the end purchaser by netting with contract assets played a particular role in reducing the item. Other receivables also declined from EUR 20.4 million to EUR 14.1 million as a result of the full payment of the payment claims from a notary escrow account in the previous year. Cash increased to EUR 2.4 million (previous year: EUR 0.6 million).

Under equity and liabilities, The Grounds increased consolidated equity to EUR 28.5 million (previous year: EUR 20.4 million). As well as the consolidated net profit generated of EUR 5.1 million, this change also reflected the value of components of equity from the EUR 3.6 million convertible bond issued, which was increased in October and recognised in capital reserves at the issue date. Despite the increase in total assets, the equity ratio as at the end of the reporting period rose to 27.7% (previous year: 23.3%).

Non-current financial liabilities climbed from EUR 18.4 million to EUR 24.3 million in the financial year. In addition, the issue of a convertible bond in February 2021 with a term of three years and a total nominal amount of EUR 12.0 million, the increase in the convertible bond in October 2021 by a further EUR 4.8 million to a total of EUR 16.8 million and the rise in deferred tax liabilities to EUR 5.4 million (previous year: EUR 2.6 million) increased non-current liabilities to EUR 43.0 million (previous year: EUR 21.5 million). The additional EUR 2.9 million growth in deferred tax liabilities was due chiefly to the fair value measurement of investment properties and the recognition of an asset for sales costs already paid, which are recognised as an expense at the time of sales recognition.

In the case of current liabilities, the decline in current financial liabilities to EUR 20.1 million (previous year: EUR 30.9 million) was the main factor behind the decrease to EUR 31.4 million (previous year: EUR 45.6 million). Overall, current and non-current financial liabilities declined to EUR 44.4 million in the 2021 financial year (previous year: EUR 49.2 million).

At EUR 2.4 million (previous year: EUR 0.6 million), cash funds are higher than in the previous year. The change in cash funds is due primarily to the positive cash flow from operating activities of EUR 7.0 million (previous year: EUR –24.0 million), which is essentially a result of lower current assets that are not attributable to investment or financing activities. In contrast to the positive change in cash flow from operating activities, cash flow from investing activities came to EUR –14.7 million (previous year: EUR –12.6 million) and includes mainly the increase in investment property. The rise in financial liabilities prompted by further growth largely contributed to positive cash flow from financing activities of EUR 9.5 million (previous year: EUR 35.8 million).

3.3 Financial and non-financial performance indicators

The Grounds uses several **financial performance indicators** to manage the Group. The material management parameters are sales and EBIT. The objective of the corporate strategy is to establish a significant portfolio with a balanced risk/return profile that generates sustainable cash flow and allows for future dividend payments to be made to shareholders. Cash flows are not generated only from the portfolio properties. Sales of property developments and the privatisation of portfolio properties should also make sustainable contributions to earnings.

The individual operating areas use specific financial and non-financial performance indicators. For example, letting/vacancy rates and new rental contracts are used for long-term portfolio properties as a key measure of the development of the properties.

In the area of project developments, the key financial performance indicator is the developer yield. Investments in new projects depend primarily on the opportunity to acquire suitable plots of land. The investment decision is made mainly on the basis of the potential for construction on the plot, the asset class to be built and the acquisition price for the land. Depending on the expected project risk and asset class, The Grounds aims for a developer yield of at least 15% in land development. Another material management parameter used for portfolio properties is the factors that affect sales performance, such as the number of reservations for condominiums and the rate of turnover. Actual sales figures in terms of number and sales volume are also reported.

On account of the current size of the Group, **non-financial performance indicators** have so far not been used directly to manage the company. Instead, they are important building blocks for the success of The Grounds Group on the real estate and capital markets.

Environmental social governance (ESG)

Sustainability in the construction sector and the integration of ESG targets and criteria (environmental social governance) in the business model is an important and increasingly relevant issue. The Grounds does not currently use ESG targets or criteria specifically to manage the company, but it does describe the importance and integration of ESG aspects in operating activities and corporate governance.

Environmental targets

The focus of The Ground's project developments is on building energy-efficient and sustainable properties. Buildings, homes and housing complexes are currently built on the basis of the "Effizienzhaus 55" (EH55) standard or planned or developed in accordance with the "Effizienzhaus 40" (EH40) standard. A comprehensive and innovative energy concept was developed for the Terra Homes project in Erkner that ensures particularly low energy consumption and carbon neutral heating. This includes an electric brine/water heat pump and hybrid collectors (PVT collectors) so that solar electricity and heating energy can be generated at the same time. The two new construction projects, LennéQuartier and Property Garden, are also built according to the "Effizienzhaus 55" standard and add additional value to the investment for the final purchasers of the flats.

Where not already carried out, energy efficiency upgrades in the portfolio are to help reduce CO_2 in the long term in the years ahead. This primarily comprises insulation, installing low CO_2 heating systems and integrating renewable energy. The Grounds is assessing medium-term investments in the portfolio to improve energy efficiency. There is already a photovoltaic system installed on the roof of the housing complex in Rauen.

Social criteria

Treating employees, customers and business partners responsibly and fairly at all times is a fundamental principle of company policy at The Grounds.

A positive corporate culture, a safe and pleasant working environment, encouraging employee development and a suitable and fair remuneration structure are essential to maintaining and increasing employee satisfaction and retaining them at the company in the long term. The Grounds' company success is thanks primarily to the commitment, expertise and skills of its employees.

Corporate Governance

Responsible, long-term corporate governance secures the existence of The Grounds Group and ensures sustainable value creation. The reputation of The Grounds as a reliable partner is also a key foundation of the company's success.

All members of the Management Board and the Supervisory Board (dual management structure) have extensive knowledge and contacts, both in the property sector and on the capital market. The Management Board is solely responsible for managing the company, while the Supervisory Board monitors its management as a governance body.

All strategic and management functions are represented within the company and primarily include the areas of transaction management, asset management, financing and accounting. The staff headcount has been consistently expanded in recent years and experienced employees and managers recruited for the most important areas.

Additional administrative functions, essentially property management, are currently outsourced to external service providers who can take a flexible approach to portfolio growth and varying capacities.

3.4 Forecast variance analysis

Adjusted for the non-recurring effect of the logistics property sold in Hangelsberg at the end of 2020, the Management Board had expected a considerable year-on-year increase in consolidated sales for the 2021 financial year. The forecast anticipated consolidated sales of EUR 23.0 million and consolidated EBIT of EUR 6.1 million.

With consolidated sales of EUR 31.6 million and consolidated EBIT of EUR 9.2 million, The Grounds significantly outperformed this forecast. The sale of a majority interest in the Börde Bogen project in Magdeburg to a joint venture partner played an even greater role in the target figures being exceeded so significantly. Other reasons the sales and EBIT expectations were surpassed included the value development of the portfolio of fixed assets and the recognition of sales according to construction completion for project developments

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4 Opportunity and Risk Report

4.1 Risk management

The Grounds Group has established a suitable risk management and internal monitoring system to maintain the company as a going concern and identify and assess developments that could jeopardise this at an early stage. All components of the risk management system serve both to systematically identify and assess risks and as measures to avoid, mitigate and limit risks. In particular, risks that could harm the company's development or present a risk to the company as a going concern are to be identified at an early stage. Risks are evaluated by their probability of occurrence and potential loss and collated at Group level. The Grounds Group identifies any need for action on the basis of this. The impact of risks is mitigated by way of operating measures and, where necessary, by recognising provisions.

With the help of capital management, The Grounds aims to safeguard the company's liquidity and equity base in the long term and generate an appropriate return on capital employed.

Financial risk management comprises managing and mitigating financial risks from operating activities. Liquidity risk (avoiding disruptions to solvency) and credit risk (risk of a loss if a contractual party does not meet its contractual obligations) are particularly relevant here. To reduce credit risks, the Group forms sales business relationships only with contracting parties that have good credit ratings.

The risks described below are evaluated by preparing and reviewing/adjusting the company and Group planning throughout the year in consultation with the Supervisory Board and by way of financial and liquidity planning. Monthly target/actual comparisons and economic assessments of the Group companies in terms of key financial figures in the income statement (chiefly sales, EBITDA and EBT) and statement of financial position items (chiefly the development of equity and debt) are used to assess the risks in the medium term. Short-term tools include ongoing monitoring of the property portfolio and liquidity management.

4.2 Individual risks

4.2.1 Macroeconomic risks

As described in the economic report in section 2, the German economy recovered from 2020's pandemic-related slump in 2021, although it has not yet returned to pre-crisis levels. The pandemic will continue to take a toll on economic development in 2022, both in terms of official restrictions and changes to individual behaviour patterns, but not to the extent see in the reporting year (see information in 5. Forecast). The German construction sector is also cautiously optimistic about 2022 and expects factors that curb growth (material bottlenecks and price increases) in the purchase of construction materials to have less of an impact in the first half of 2022 (see also section 5. Forecast). Despite the ongoing pandemic, a figure exceeding EUR 100 billion was reported on the German property investment market for the first time in 2021. Overall, properties were traded to the value of EUR 110.6 billion.[13]

A new record was achieved on the housing investment market and the commercial property market also stabilised at a very high level (see 2. Economic report). Market experts again expect the transaction volume on the investment market to be higher than average in 2022 (see 5. Forecast).

German properties will remain a highly sought-after asset class in 2022. According to one survey from Universal Investment Gesellschaft, two thirds of domestic and foreign investors are focusing their investments on Germany.[14] Despite rising prices, almost 70% of investors (survey by Engel & Völkers Investment Consulting) want to invest primarily in housing.[15]

Generally speaking, the favourable economic conditions for investing in properties will remain in 2022: low interest rates, a housing shortage and a lack of alternative investments. As a look at price performance in 2021 shows, the pandemic does not negatively impact the German property sector. German house prices increased by 12% in the third quarter of 2021 compared to the previous year, increasing in the top 7 major cities and sparsely populated rural areas alike.[16]

[13] See https://www.savills.de/research_articles/260049/323505-0
[14] See https://www.haufe.de/immobilien/entwicklung-vermarktung/marktanalysen/deutschland-investorennachfrage-nimmt-wieder-fahrt-auf_84324_478354.html
[15] See https://www.haufe.de/immobilien/entwicklung-vermarktung/marktanalysen/nachhaltig-warum-unternehmen-von-esg-kriterien-profitieren_84324_509978.html
[16] See https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/12/PD21_593_61262.html;jsessionid=65D1B162E364B6F3DA62BDFAF3925ABA.live722

Russia launched a military assault on Ukraine on 24 February 2022. The war and related developments once again sent international stock markets plummeting and the prices of many commodities, such as crude oil, natural gas and grains, increased rapidly. Across the world, numerous economic sanctions were imposed on Russia. While some sectors are feeling the impact of the war and the economic sanctions early on, it is difficult to assess the potential risks for the German property sector at the time of preparing these statements. On the one hand, crises and uncertainty create greater interest in safe asset classes and assets, such as property. On the other hand, the war could also lead to increased hedging and postponing investments to ensure that assets can be accessed quickly. Market experts expect the conflict to have either a minor impact or no impact at all on German housing construction, as long as the conflict remains constrained to the geographical area. Foreign investors might direct their focus even more towards safe, highly-liquid markets such as Germany. In terms of price development, an ongoing conflict could slow the dynamic price rises seen for residential properties recently due to a combination of rising inflation, higher interest rates and general uncertainty. Accordingly, The Grounds Group does not expect the war in Ukraine to hurt its financial position and performance for the time being.[17]

The company has no control over these constantly changing factors and must continue to observe and re-evaluate them and make business decisions accordingly. With its consistent focus on the housing sector, The Grounds Group operates on a growth market that is in high demand even during the pandemic and does not expect any material macroeconomic risks with a negative impact on its financial position and performance in 2022.

4.2.2 Market risks

4.2.2.1 Dependency on developments on the German property market

The Grounds Group focuses on residential properties in Germany – primarily in emerging German metropolitan regions – and so is dependent on national and regional market developments.

As explained above under 4.2.1. Macroeconomic risks, the Covid-19 pandemic did not have any serious negative impact on the German property market as a whole in 2021. Investment markets for retail properties and hotels, which had previously been badly shaken by the pandemic, also picked up over the course of 2021.[18]

[17] See Börsen-Zeitung article "Immobilien-Märkte zeigen sich unbeeindruckt", from 25 February 2022

[18] See https://www.immobilien-aktuell-magazin.de/topics/covid-19-corona-auswirkungen-auf-immobilienbranche

The main source of market risk at present is rising interest rates. This means that the cost of real estate loans is expected to rise again soon. As a result, Germany's Federal Financial Supervisory Authority (BaFin) intends to set a countercyclical capital buffer of 0.75% of risk-weighted assets on domestic exposures. This was reduced to 0% during the pandemic and is intended to make banks more resilient at times of crisis. Banks are also to set aside 2% more equity to secure residential property loans. This means that private construction financing has to be secured with an extra buffer totalling 2.75%.[19] The German Property Federation (ZIA) criticised BaFin's decision, saying that the buffer would make both private and commercial residential property financing more expensive. It added that it expected some banks to scale back their involvement in residential property financing, reducing the housing supply.[20]

Given the months of sharply rising inflation and the expiry of central banks' bond purchases as part of the pandemic recovery package, there are signs of a rise in interest rates and thus an end to the zero interest rate policy. Construction loan interest, which is based on German Bund yields, would then result in a corresponding increase in interest rates on construction and property loans. Market experts estimate that this rise would not exceed 0.5%. However, despite the increased cost of building funds, property prices are not expected to decline in the foreseeable future as there is still too much capital on the market and the property market – unlike financial markets – is not very flexible.[21]

Yet despite the sharp hike in property prices recently, which have climbed at record speed (see 4.2.1. Macroeconomic risks), there are fears in some cities of property bubbles bursting. The German Institute for Economic Research (DIW) believes that larger "price corrections" are possible in Berlin, Munich, Hamburg and in other major cities and university towns in the years ahead. Nonetheless, the DIW thinks that the risk of a nationwide property bubble is manageable given banks' sound financing overall. It said there are no indications of risks to financial stability from price bubbles bursting.[22]

The increase in supply on the property market is also being curbed by the recent sharp rise in construction costs (see 2. Economic report). In its study "Future Living – Outlook 2022. Housing Trends of the Future" (survey of property project developers, portfolio holders

[19] See https://www.tagesschau.de/wirtschaft/finanzen/immobilienkredite-eigenkapital-zinsen-101.html und https://www.baulinks.de/webplugin/2022/0073.php4
[20] See https://finanzmarktwelt.de/immobilienblase-immobilien-bafin-kapitalpuffer-222540
[21] See https://www.manager-magazin.de/finanzen/immobilien/haeuser-und-wohnungen-kaufen-zinsen-fuer-immobilienkredite-steigen-a-d37bb292-60f1-400e-b7dd-3b8905e5cc2a
[22] See https://www.zdf.de/nachrichten/wirtschaft/immobilienpreise-steigen-rekordtempo-blase-100.html

etc.), PWC Germany found that more than a quarter of all participants had postponed construction projects because of high building costs. In addition, at least half of the property project developers and portfolio holders surveyed thought that labour and/or construction material shortages would continue to hold back housing construction in the next three years.[23]

The Grounds Group monitors developments on the German property market on an ongoing basis and does not expect these market risks to have any negative impact on the financial position and performance in 2022.

4.2.2.2 Competition

As part of its business activities, The Grounds Group has various competitors in the areas of land development, portfolio management, portfolio development and the privatisation of residential properties in Germany and is exposed to stiff competition.

The Grounds Group's main direct competitors when acquiring residential properties and selling developed land and property portfolios are small and medium-sized property companies. If the acquisition profile and market focus are similar, the competition could win the contract to buy or sell property assets.

In particular, The Grounds Group is aware that there is currently high competition when it comes to purchasing attractive properties and it cannot exclude the possibility of prices continuing to rise.

The Grounds Group focuses on setting itself apart from similar property companies by offering unique selling points and individual use concepts to avoid the negative repercussions of a direct competitive situation as far as possible by ensuring the companies are not directly comparable.

In addition, The Grounds Group competes for tenants, sellers and investors. In particular, competition or a surplus of available properties on the market when The Grounds Group is selling can result in unexpectedly low sales prices or a saturation in demand or prevent The

[23] Vgl. https://www.baulinks.de/webplugin/2022/0074.php4

Grounds Group from selling properties in the first place. There is a risk that The Grounds Group may be unable to hold its own in the competition or adequately set itself apart from its competitors.

The company restructured itself entirely in 2020. With the two Management Board members Arndt Krienen and Jacopo Mingazzini, the newly staffed Supervisory Board and the increase in staff headcount at the Group, the team works together excellently and brings together years of extensive experience in the areas of project development, portfolio management and privatisation. Thanks to its many years of experience in the property sector, The Grounds Group has an extensive and established network. This allows The Grounds Group to secure properties through off-market transactions and so it does not have to publicly compete with other competitors.

In addition, the company currently purchases residential portfolios/properties at an investment volume that is too small for larger competitors and simultaneously at the upper end of the investment volume for smaller investors. The company is of the opinion that, among listed companies in the property sector, there are no competitors with a comparable business model comprising portfolio management, land development and portfolio development with a similar strategy and geographical focus. Among unlisted companies on the property market, there are a handful of competitors that operate on a purely regional basis, and so the company's main competitors are regional.

4.2.2.3 Regulatory risks

The Grounds Group's business activities depend to a considerable degree on the current regulatory framework for residential property. In particular, this includes statutory regulations governing tenancy law. In addition, recent years have seen major changes to legislation, for instance in environmental law. Examples of this include the regulations on energy certificates, the German federal government's energy concept in relation to energy efficiency upgrades for all homes in Germany in accordance with the "zero emission" standard and other provisions in the 2009 Energieeinsparverordnung (Energy Saving Regulation) and other environmental regulations. In addition, the legal and tax environment for property investments in Germany has frequently worsened in the past.

Legal conditions may also change or become stricter in the future, for example regarding tenant protection (such as reducing tenants' notice period or imposing restrictions on rent increases). The Mietendeckel-Gesetz, Berlin's rent cap that came into effect for a five-year period on 22 February 2020, was overturned by the German Federal Constitutional Court on 15 April 2021 on the grounds that it is not compatible with the German Basic Constitutional Law.[24] Nonetheless, it is not unlikely that the debate over regulation on the rental market will continue. The Grounds deliberately concentrated on Berlin's affluent commuter belt to avoid these legal regulations in urban areas. Nevertheless, fundamentals in the metropolitan regions and especially in Berlin remain positive and so The Grounds Group remains open to investment opportunities there.

Legal changes to fire safety regulations, environmental protection rules (e.g. energy saving), laws on harmful substances (e.g. asbestos) and the resulting renovation requirements, as well to general conditions for property investments, can put considerable strain on the profitability of investments and The Grounds Group's earnings. Legislative changes can also require action on the part of The Grounds Group, entailing high additional costs that – for legal or practical reasons – can be passed on to tenants only to a limited extent or not at all.

Most recently, the new Gebäudeenergiegesetz (German Buildings Energy Act – GEG) came into force on 1 November 2020, which sets out requirements regarding buildings' energy performance, the preparation and use of energy certificates and the use of renewable energy in buildings.[25]

Sustainability aspects play an increasingly important role in the property sector. The new EU taxonomy will further drive up demand for ESG-compliant properties. Investors will increasingly look for properties that comply with the taxonomy. On the one hand, this poses risks for The Grounds, as price discounts may have to be accepted in the future when selling non-sustainable properties on account of lower demand. On the other hand, the housing stock needs renovating and this requirement is increasing. The European Commission presented its new building guidelines on 15 December 2021, which state that all buildings in the EU must be climate neutral by 2050. By 2030, no buildings should be in the lowest efficiency class G. This would affect 3 million buildings in Germany alone. Existing apartments and houses are to be renovated by 2030, while all new builds must be completely climate neutral by 2030.

[24] See https://www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/EN/2021/bvg21-028.html;jsessionid=19C82CFA1D5145653AEC905B5EB66EF7.2_cid329
[25] See https://www.bmi.bund.de/DE/themen/bauen-wohnen/bauen/energieeffizientes-bauen-sanieren/energieausweise/gebaeudeenergiegesetz-node.html

Achieving this in this period will require instantly doubling the renovation rate, which seems difficult given the lack of tradespeople and the shortages and rising cost of materials.[26] Energy efficiency upgrades have already been carried out for some residential units in The Grounds' portfolio. In the medium term, The Grounds is looking into investing in additional insulation, installing state-of-the-art low CO_2 heating systems and integrating renewable energy to improve buildings' energy efficiency (see information in 3.3. Financial and non-financial performance indicators).

The subsidy for new "Effizienzhaus 55" buildings was suspended as at 31 January 2022 and stopped earlier than planned on 24 January 2022 on account of the high number of applications received.[27] The KfW subsidy for energy renovations is to resume again once budget funds are available. A topic of political debate is the new construction subsidy for new buildings that meet the EH40 standard as a minimum. Renovations also receive funding if they meet the lower KfW 55 standard. Subsidies for KfW 40 new builds are to be capped at EUR 1 billion by the end of 2022.[28] The Grounds' new construction projects are not affected by the end of the subsidies, as all applications for construction projects that are ongoing or have begun have already been approved.

The Federal Ministry for Economic Affairs is working on an extensive legislative package to reduce gas consumption in light of the high gas prices. This package includes a requirement to install solar panels on roofs of new commercial and private buildings, with "low-interest solar energy loans" intended for this purpose. In addition, all heating installed from 2025 onwards must source at least 65% of its energy from renewable sources. From 2025, the focus will therefore be on installing heat pumps and connecting buildings to heating networks.[29] The Grounds monitors these discussions closely and analyses the impact on current and future operations in the respective core areas. Another risk is posed by the change to the Grunderwerbsteuergesetz ("German Land Transfer Tax Act"). The German Bundesrat approved the law on 7 May 2021, which essentially imposes stricter rules for share deals. The threshold from which the land tax applies was reduced from 95% to 90% for acquisitions of shares from 1 July 2021 onwards and the observation period was also extended from five to ten years. In accordance with Section 1 (2b) of the German Land Transfer Tax Act, the land transfer tax applies if at least 90% of the shares in a landowning incorporated entity are transferred to new shareholders within ten years. The

[26] See https://www.haufe.de/immobilien/wirtschaft-politik/green-deal-eu-liefert-investitionsplan-fuer-gebaeudesektor_84342_507868.html
[27] See https://www.tagesschau.de/wirtschaft/verbraucher/kfw-foerderung-fuer-energieeffiziente-gebaeude-gestoppt-101.html
[28] See https://www.bmwi.de/Redaktion/DE/Meldung/2022/20220124-foerderung-fur-energieeffiziente-gebaude-durch-kfw.html and https://www.boerse-online.de/nachrichten/zertifikate/neues-kfw-foerdergeld-fuer-bauherren-bundesregierung-lenkt-bei-chaos-um-energieeffizientes-bauen-ein-1031159556
[29] See https://www.berliner-zeitung.de/news/hohe-gaspreise-kommt-jetzt-eine-solardach-pflicht-li.215429

“stock exchange clause” exempts listed companies on the regulated market from these new rules but not companies that are listed on the OTC market such as The Grounds. Subsequent amendments to the law are expected here as the stock exchange clause as it currently stands puts companies on the OTC market – and thus the vast majority of property companies – at a massive disadvantage.[30]

The German Bundestag also passed the Baulandmobilisierungsgesetz (German Building Land Mobilisation Act) on 7 May 2021. This includes stricter regulations on converting rental properties into owner-occupied buildings. The “conversion ban” will be binding for all areas in Germany where the housing market is considered strained, which the state governments are allowed to determine by law. Approval will be required until no later than 31 December 2025 and applies if the residential building contains more than five flats.[31] The states may also increase the approval requirement to cover buildings with up to 15 flats. Despite criticism and considerable resistance by some, the law was approved by the Bundesrat on 28 May 2021.[32]

Portfolio development projects for retail sales at The Grounds are already legally divided so that the impact on current inventories is very low. Generally, however, the “conversion ban” can affect the business model and so The Grounds carefully analyses investments in privatisation projects in some individual sub-markets before making an investment decision.

4.2.3 Company-specific and operating risks

4.2.3.1 Purchase and sale of properties

The economic success of The Grounds Group hinges on the selection and purchase of suitable properties/property portfolios or interests in property companies. This is subject to the risk of The Grounds Group incorrectly assessing or otherwise evaluating the construction, legal, economic or other circumstances in relation to the properties or portfolios to be purchased. Moreover, assumptions made regarding the earnings potential of the properties or portfolios may subsequently prove partially or fully inaccurate. This would mean, for example, that properties acquired for the area of portfolio management would not generate the expected cash flow and thus would not operate at a profit.

[30] See https://www.noerr.com/de/newsroom/news/reform-der-grunderwerbsteuer-auf-der-zielgeraden and https://www.stb-web.de/news/article.php/id/24871
[31] See https://www.bmi.bund.de/SharedDocs/pressemitteilungen/DE/2021/05/baulandmobilisierung.html
[32] See https://www.haufe.de/immobilien/entwicklung-vermarktung/marktanalysen/umwandlungsverbot-von-miet-in-eigentumswohnungen_84324_511416.html

The Grounds Group addresses this risk by conducting a detailed assessment of the acquisition before it is purchased with the help of external assessors or building experts. Appreciation potential of the properties is also reviewed in detail. The existing property portfolio is regularly revalued by approved experts.

4.2.3.2 Disposing of contaminated sites, soil contamination and compliance with requirements of construction law and preservation legislation

There is a possibility that land owned by The Grounds Group may feature contaminated sites, other harmful soil contamination or relics from the war such as bombs. In connection with this soil contamination, the authorities responsible may order The Grounds Group to remove the hazards, which typically incurs high costs. Even if The Grounds Group has already sold this land and properties to third parties, there is a risk of the purchasers claiming damages or other making warranty claims against The Grounds Group. The Grounds Group is responsible for these obligations and claims, regardless of the cause of the contamination. It is possible that it will have no right of recourse against third parties even if they caused the contamination. Addressing any contamination in this context and other related measures may result in a loss of rental income, significantly delay construction work or make it impossible or economically unviable and involve considerable additional costs.

Numerous other factors, including the age of the structure, pollutants in construction materials, the soil condition or non-compliance with the requirements of construction law and preservation legislation at properties held by The Grounds Group, may result in costs for expensive renovation, maintenance and modernisation work. If the construction work required cannot be carried out, this could have a negative impact on the sales and rental income of the properties affected. It may also lead to restrictions in the use of these properties and land and, in turn, to rent losses.

4.2.3.3 Staff

Members of the company's Management Board and Supervisory Board and other managers at The Grounds Group have extensive knowledge and contacts, both in the property sector and on the capital market. If members of the Management Board or other key employees were no longer to be available, these contacts and knowledge would be lost and it is uncertain whether The Grounds Group would be able to make up for this at short notice by hiring new employees. The company currently believes the risk of losing these key personnel is low, as the central management team have worked together successfully and with confidence for many years in the past at other property companies and so the team members complement each other well. The company aims to retain qualified specialists at the Group in the long term by providing appropriate incentives. As one way of encouraging long-term staff retention, The Grounds established a stock option programme in the 2020 financial year for members of the Management Board and employees with a maximum volume of 1,750,000 share options.

4.2.3.4 Financing and interest rate risks

The Grounds Group requires substantial financing for its business model and the planned increase in business operations, both for the purchase of properties and, potentially, for equity interests, which must be raised either in the form of equity or debt. Accordingly, The Grounds Group's business performance is dependent on receiving additional financing on time at appropriate conditions and, where necessary, refinancing existing financing at maturity. If The Grounds Group were unable to find financing to purchase properties at adequate conditions, it would not be able to establish and expand its business to the extent desired.

As well as strengthening the equity base, The Grounds Group regularly assesses affordable bank financing and other forms, such as mezzanine financing. The portfolio can also be increased in the short term by way of non-cash capital increases. With the size of the portfolio and of the Group increasing and the intention to switch to a more regulated stock market segment in the medium term such as the regulated market on the Frankfurt Stock Exchange, The Grounds Group will increasingly attract the attention of investors. This should make it easier to raise debt and equity. The EUR 12 million convertible bond successfully placed in February 2021 and the EUR 4.8 million increase in October 2021 was a key milestone in establishing the company on the capital market.

4.2.3.5 Liquidity and financing risks

The Grounds Group requires sufficient liquidity to maintain its business operations. Liquidity management is a key focus of Group management as it helps identify and absorb adverse developments from individual business areas on a timely basis. To this end, Management Board members receive regular reports on current liquidity and a liquidity forecast. These employ short-term and medium-term liquidity planning tools that compare current business transactions to projected figures Group level.

Business activities and growth at The Grounds Group depend in part on the extent to which financing options are available. For example, more restrictive lending could impair business performance at The Grounds. To minimise the risk, The Grounds works with a large number of banks and can also use the capital market for additional financing.

4.2.3.6 Taxes

Tax law is in a constant state of flux. The company has no control over whether current tax rules and regulations remain as they are at present. Future changes to the law or differences in how laws are interpreted by tax authorities and course cannot be ruled out.

There is thus the risk of tax-related circumstances that disadvantage Group companies. During current and future tax audits, tax authorities may take a different view of tax regulations and circumstances to The Grounds Group. If the tax authorities are of a different opinion, this may result in additional tax claims and thus have a negative impact on the companies' financial position and performance.

4.2.3.7 Insufficient credit rating, insolvency or termination by contractual partners

Portfolio properties require constant modernisation and maintenance to meet legal requirements and be of interest to tenants. In addition, The Grounds has significantly stepped up its project developments in the housing sector. This exposes the company to the risk that contracting partners involved in new construction or modernisation work may not or not fully meet their legal and contractual obligations. A potential default on the part of contracting partners can also result in higher costs or unexpected delays in the new construction and modernisation work.

In addition, there is the risk that key contracting partners might (prematurely) terminate contracts for good cause. In this case, new contracting partners would have to be found, which can also lead to delays and higher costs. There is also the risk of not being able to enforce any damages claims against the parties because of their credit rating.

To counter this risk, where possible The Grounds Group chooses external partners for its projects that it has already worked with successfully in the past. The contracting partners' solvency and operating performance are also regularly reviewed as part of risk management. Although the company cannot exclude the possibility that individual partners may default, even those with excellent credit ratings, it considers this risk low.

4.2.3.8 Rental income

In the future, the economic success of The Grounds Group is also highly dependent on maintaining or increasing income from renting out residential properties in the portfolio at the planned level. The amount of contractual rent that can be generated by The Grounds Group and the possibility of increasing this amount depend on numerous factors, including the solvency of current and future tenants and the ability to find or retain suitable tenants who are prepared to conclude long-term leases at conditions that are attractive for The Grounds Group.

If tenants are unable to meet their rent payment obligations or are unable to do so in full, for example because of a deterioration in their financial circumstances, or if an increased number of tenants terminate their rental agreements and the rental properties in question cannot be immediately re-let at, at a minimum, comparable economic conditions, this would lead to a loss of rental income and thus have a negative impact on the financial position and performance of The Grounds Group. There may also be a loss of rental income, rent reductions or higher vacancy rates, for example because the properties are located in a difficult location in terms of social or economic circumstances or because demand for rental properties is low on account of the market situation. A change of tenants can also involve significant conversion and renovation work, which may prompt a temporary loss of rental income and incur considerable costs. For example, greater demands made by tenants may mean that the properties can no longer be let in their current state or only for far lower rent. In the event of vacancies or reduced rent levels, it cannot be ruled out that, alongside lower income, the fair value of the properties may also decline, which would have a corresponding impact on the financial position and performance of The Grounds Group.

Before entering into contracts with new tenants, The Grounds Group assesses their credit rating. The rental default risk is kept low by way of targeted monitoring and proactive measures. The focus is on properties with tenants who have good or very good credit ratings.

Properties with a short remaining lease term and/or a high vacancy rate are considered only if – on the basis of The Grounds Group’s asset management approach – reductions in the vacancy rate or lease renewals can be contractually assured at the due diligence stage prior to the acquisition or immediately after concluding the transaction.

4.2.4 Other risks

In addition to the risks described above, there are other factors that affect business performance that the company cannot predict or control. If they occur, these could have a negative impact on The Grounds Group's performance. These include natural disasters, epidemics, wars and terrorist attacks.

4.2.5 Overall assessment of risks

The focus of The Grounds Group is to establish a large, high-quality property portfolio that allows it to generate stable income and to carry out project developments and privatise portfolio properties with the intention of earning sustainable sales income. In 2021, the property portfolio was expanded significantly following the acquisition of an additional 176 residential units. We intend to maintain this growth in the future, too.

Raising capital through debt and equity at favourable financing conditions and acquiring/implementing additional projects are central to achieving this goal. In the areas of land development and portfolio development, further progress was made in the 2021 financial year and in the first quarter of 2022 with selling units and projects (see information under 1.3), and so a continual inflow of liquidity is expected here. Thanks to the ongoing positive market environment for the financing and marketing of properties, we do not currently believe there are any individual or collective risks that could jeopardise the company as a going concern.

4.3 Opportunity report

The German housing market performed well even during the pandemic and record transaction volumes were reported on the investment market in the reporting year (see 2. Economic report). At the same time, purchase prices for residential properties also climbed at records speeds in 2021. The trend towards flexible working and working from home prompted by the pandemic has continued, with green areas on the outskirts of cities increasingly popular.

Despite the market risks presented by potential interest rate hikes, property bubbles and/or further regulation of housing rents as described above, the overall and property-related conditions for the German housing market are still good. Demand for housing in Germany remains high and investors will increasingly turn their focus to residential properties in 2022.[33] In addition, the property sector is expected to see supply squeezed even further on already strained housing markets in many regions due to the ongoing war in Ukraine and the increasing numbers of refugees and additional housing requirements in Germany that this will entail. In the middle scenario which sees 810,000 refugees, the ZIA expects an additional 310,000 homes to be required.[34]

The Grounds closed the 2021 financial year with consolidated sales of EUR 31.6 million and consolidated earnings of EUR 9.1 million, higher than expected. Adjusted for the sale of the logistics property in Hangelsberg (effect: EUR +16.1 million), consolidated sales thus increased significantly year on year in connection with higher rental income from the larger property portfolio and sales.

The Grounds' business model, which centres around residential properties, is based on the three pillars of portfolio management, portfolio development and project development.

The portfolio, which currently contains about 410 residential units, is to be continually expanded.

Most of the residential units in the three properties purchased for privatisation in 2021 were successfully sold to retail investors in the reporting year. The residential units in Meppen and Berlin-Pankow are expected to be sold in full in 2022, including the transfer of benefits and encumbrances. The sale in Dallgow-Döberitz is also making good progress, with 21% of units sold by the end of March 2022.

In project development, The Grounds Group has an attractive project pipeline of over EUR 400 million (including joint venture projects), which will lead to a considerable upturn in consolidated sales and earnings contributions from associates in the next three years.

In March 2022, The Grounds sold its Terra Homes project development in Erkner, near Berlin, to an institutional investor for EUR 18.5 million as part of a forward sale.

[33] See https://assets.ey.com/content/dam/ey-sites/ey-com/de_de/news/2022/01/ey-re-trendbarometer-b-2022.pdf
[34] See https://zia-deutschland.de/pressrelease/krieg-in-der-ukraine-immobilienwirtschaft-rechnet-mit-bis-zu-129-mio-fluechtenden-und-500-000-zusaetzlichen-wohnungen

Almost all residential units for the Property Garden project at Halberstädter Str. 153 in Magdeburg had also been sold by the end of March 2022. The Grounds will receive the sales proceeds from the two projects in stages, with construction scheduled to begin in summer 2022.

For the Börde Bogen project development, The Grounds secured an experienced joint venture partner, the Berlin-based Stonehedge SHG 1. Beteiligungs GmbH. Sales proceeds from sale of the 51% of shares in the Börde Bogen project development company will be invested in the company's future growth.

The Grounds expects the building permit to be granted soon for the Central Offices project, the construction of a centrally located office building in Magdeburg. Intel's announcement in March 2022 that it intends to invest EUR 17 billion in two chip factories in Magdeburg will have a long-term positive impact on the location. This could create more than 10,000 jobs with the addition of the construction business and as suppliers and partners move in. We also expect our existing project developments to have further beneficial effects on value.

Further growth opportunities also arise from a greater focus on addressing the capital market. In February 2021, the company successfully placed a EUR 12 million convertible bond and increased this by a further EUR 4.8 million in October 2021. Additional equity and debt measures are to be placed on the capital market in the future to finance the company's growth.

In addition, the next few years will see additional earnings potential from the debtor warrant for the logistics property sold at the end of 2020 of up EUR 9.75 million after the development plan is complete.

5 Forecast Report

5.1 Macroeconomic development[35]

The Kiel Institute for the World Economy (IfW) revised its Economic Outlook in mid-March 2022 on account of the war in Ukraine and the severe negative impact of this on German economic recovery. Instead of a 4.0% upturn in German economic output in 2022, the IfW now expects it to grow by just 2.1%. The outlook for 2023 was raised slightly from +3.3% to +3.5%.

Sharp increases in the cost of raw materials are continuing to fuel already high inflation, reducing private households' purchasing power. The IfW anticipates high inflation of 5.8% in 2022. Industrial production is being curbed by new supply shortages, with companies experiencing fewer sales opportunities as a result of economic sanctions imposed on Russia and generally high levels of uncertainty. Without the economic rebound effects from the Covid-19 pandemic, German economic output would actually decline in 2022. Consumers saved extraordinary amounts of money during the pandemic and industrial companies began 2022 with an order backlog of around EUR 100 billion. All things considered, the war in Ukraine will significantly slow the economic recovery but will not bring it to a standstill.

While employment figures will likely continue to recover from the pandemic on the labour market, the war in Ukraine will clearly leave a mark on public spending (additional spending on defence, assistance to low-income households and to take in refugees, as well as spending to support decarbonisation).

The European Central Bank (ECB) announced that it will leave interest rates at a low level for the time being. Bond purchases will likely be ended in mid-2022 and interest rates could be raised "some time" after this.

[35] See https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2022/KKB_89_2022-Q1_Deutschland_DE.pdf pages: 3-7, 21

In the construction industry, the IfW expects the investment environment to deteriorate initially on account of high construction prices and somewhat poorer financing conditions. Nevertheless, demand for housing remains high. Accordingly, the IfW anticipates a 2.2% increase in construction investment in 2022, followed by a rise of 2.9% in 2023.

5.2 Sector situation

German construction industry[36]

German construction companies are cautiously optimistic about 2022. Assuming that supply problems ease and the cost of buying construction materials increases in the second quarter of 2022, the central construction associations expect a 5.5% nominal increase in sales to EUR 151 billion in 2022, taking account of the high order backlog. After deducting an estimated price development for construction services of 4% on average, this puts real sales growth at 1.5%.

In the case of residential construction, the central construction associations expect 2022 to see sales rise by 7% in nominal terms to EUR 59.3 billion. The new federal government has set the ambitious target of completing 400,000 new residential units each year. The central construction associations believe that 320,000 apartments can realistically be built in 2022. Nonetheless, they welcome the planned increase in straight-line depreciation from 2% to 3%, the plans to increase funding for building social housing, the conversion of homes to make them suitable for the elderly and urban development funding.

In commercial construction, a rise in incoming orders is offset by the high order backlog and weak approvals from trade and industry on account of the fourth wave of Covid-19 cases. The central construction associations expect the commercial construction overall to generate nominal sales growth of 6% in 2022 to EUR 53.3 billion, aided by the increase in investment by Deutsche Bahn.

The investment backlog at local authorities has now reached EUR 150 billion. For 2022, local authority associations expect construction investment to decline by 9%, causing the already high investment backlog to increase even more. As a result, the high order backlog in 2022 is combined with limited scope for action by local authorities and so the central construction associations expect weak nominal sales growth of 2% to EUR 38.6 billion.

[36] See https://www.zdb.de/fileadmin/user_upload/2021-16-12_Arugmentationslinie_PK_final.pdf and https://www.zdb.de/meldungen/baugewerbe-zu-den-auswirkungen-des-russischen-angriffs-auf-die-ukraine-rohstoffengpaesse-betreffen-auch-bauwirtschaft

The war in Ukraine is continuing to push up the cost of construction materials. Hefty price rises for bitumen and steel (products) were already making themselves felt at the start of March 2022.

Residential properties

Savills anticipates a transaction volume of over EUR 20 billion on the housing market in 2022. Fundamentals on the housing market remain favourable overall, although individual properties will have to be analysed not only in terms of ESG and inflation but also in relation to regional fundamentals in the future.[37]

ESG could further bolster demand for new builds, as studies show that ESG criteria are easier to prove in new buildings than in existing ones. A significant portion of institutional investment is already ESG-compliant and surveys of investors show that more than half place particular importance on meeting ESG factors in everyday business. About two thirds of the investors surveyed said that they aim to optimise their portfolio buildings so that they comply with ESG requirements in 2022 and a third want to optimise their portfolio (investor survey by Engel & Völkers Investment Consulting).[38] Increasing pressure to renovate existing buildings – which affects all use classes – could result in more business combinations and increased portfolio adjustments in order to pool resources. These factors will further shore up transaction activity on the property investment market.[39] High inflation – especially the surge in the cost of energy – will shift focus even more strongly towards energy-efficient buildings.

Industry players also assume that the “conversion ban” in the German Building Land Mobilisation Act will create an artificial shortage of condominiums, pushing up house prices. [40]

In terms of yields, the trend seen in 2021 is expected to continue but with a slight decline in net prime yields.[41]

CBRE believes the microapartments and student housing segment will see some larger transactions in 2022 but also expects a trend towards consolidation. There are currently many players who increasingly want to invest in this segment.[42]

[37] See https://www.savills.de/insight-and-opinion/savills-news/323215/wohninvestmentmarkt-deutschland-2021
[38] See https://www.haufe.de/immobilien/entwicklung-vermarktung/marktanalysen/nachhaltig-warum-unternehmen-von-esg-kriterien-profitieren_84324_509978.html
[39] See https://www.savills.de/research_articles/260049/323505-0
[40] See https://assets.ey.com/content/dam/ey-sites/ey-com/de_de/news/2022/01/ey-re-trendbarometer-b-2022.pdf
[41] See https://www.haufe.de/immobilien/entwicklung-vermarktung/marktanalysen/wohnimmobilien-investmentmarkt-deutschland_84324_527002.html
[42] See https://www.haufe.de/immobilien/entwicklung-vermarktung/marktanalysen/wohnimmobilien-investmentmarkt-deutschland_84324_527002.html

Commercial properties

Savills expects the transaction volume on the commercial property market to increase slightly in 2022 compared to 2021, rising to about EUR 65 billion.[43] Demand for core properties remains high. Looking to 2022, companies surveyed as part of the EY trend barometer expect the office asset class to recover from the repercussions of the pandemic in the short to medium term (especially in core locations), whereas hotel/hospitality properties are expected to recover in the medium term and retail properties are not expected to make a full recovery at all. The outlook for shopping centres is particularly pessimistic. In the office segment, shorter contract terms and lower demand for space in connection with flexible working will be at the forefront. Here, industry players expect largely stable purchase prices in class A and B locations, while most assume that prices for offices in the outskirts will decline.[44]

5.3 Company

About nine months after the sales launch, purchase contracts were concluded for the nearly all residential units in the Property Garden project at Halberstädter Str. 153 in Magdeburg. Most of the 63 flats were purchased by investors. The Grounds will receive the sales proceeds in stages, with construction scheduled to begin in 2022.

Also, in March 2022 The Grounds signed a contract to sell the Terra Homes land development in Erkner. The sale took the form of a forward sale to an institutional investor. The Terra Homes project comprises a total of 34 semi-detached houses, with construction to begin in summer 2022.

Given the sales already confirmed as part of land development and the units already sold as part of portfolio development, we expect sales to increase further and EBIT to be slightly lower in 2022 compared to the previous year. This would put consolidated sales between EUR 35.0 million and EUR 38.0 million and EBIT between EUR 8.0 million and EUR 9.0 million.

The EBIT forecast does not plan for the additional earnings potential from the debtor warrant for the logistics property sold at the end of 2020 of up EUR 9.75 million. If the development plan is completed in 2022, which is a precondition for realising the warrant, sales and EBIT could rise again significantly.

[43] See https://www.savills.de/insight-and-opinion/savills-news/323216/gewerbeinvestmentmarkt-deutschland-2021
[44] See https://assets.ey.com/content/dam/ey-sites/ey-com/de_de/news/2022/01/ey-re-trendbarometer-b-2022.pdf

6 Remuneration report

The new employment contracts signed with the Management Board members Arndt Krienen and Jacopo Mingazzini in the 2020 financial year expire in December 2024.

Employment cannot be terminated during the term of the contracts. However, the contracts do include a special right of termination in the event of a change of control.

Remuneration for members of the Management Board comprises a fixed, non-performance-related annual base salary and variable bonus that is to be determined between the Management Board and the Supervisory Board.

The base salary for both Management Board members is EUR 180,000 EUR per year and has increased to EUR 240,000 since 1 March 2021. The variable remuneration component is linked to the company's earnings after taxes in the IFRS consolidated financial statements. Valuation gains are included in the measurement base only on a pro rata basis. In addition, the bonus is capped at EUR 480,000.

The Management Board members are provided with a company car and The Grounds has taken out D&O insurance.

In addition, both members of the Management Board also receive share option rights for 700,000 shares as long-term remuneration components. The stock option programme includes a four-year vesting period from the issue date, during which time the stock options cannot be exercised. Please see the notes for information on the expenses incurred in the reporting period in connection with these share-based payments and the measurement parameters.

Members of the Management Board were not granted pension commitments or other retirement benefits. No agreements were made with the Management Board members regarding benefits in the event of premature resignation, with the exception of the company's entitlement to release the members of the Management Board from their duties for the duration of a notice period and to discharge them while continuing to pay their salary, and the right of Management Board members to demand immediate payment for the remaining contractual period in this case. In addition, the employment contracts include a post-contractual non-compete clause.

As well as reimbursement of expenses, members of the Supervisory Board receive fixed annual remuneration for each full financial year for which they are a member of the Supervisory Board.

Berlin, 12 April 2022

The Management Board
Arndt Krienen   Jacopo Mingazzini

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

The Grounds Real Estate Development AG, Berlin, as at 31 December 2021

	Note	31 Dec. 2021	31 Dec. 2020
		TEUR	TEUR
Assets			
Non-current assets			
Intangible assets	**8.1**	15	15
Goodwill	**8.1**	1,941	1,939
Property, plant and equipment	**8.1**	266	139
Right-of-use assets	**8.2**	433	481
Investment property	**8.6**	31,050	14,000
Equity investments	**8.4**	152	152
Interests in companies accounted for using the equity method	**8.5**	5,441	2,673
Other financial assets	**8.7**	15	228
Deferred tax assets	**8.22**	1,768	2,011
Total non-current assets		**41,082**	**21,637**
Current assets			
Inventories	**8.8**	37,994	32,237
Contract assets	**8.9**	4,571	12,399
Trade receivables	**8.10**	2,723	136
Other receivables	**8.11**	14,146	20,396
Cash	**8.12**	2,385	623
Total current assets		**61,820**	**65,791**
Total assets		**102,902**	**87,428**

	Note	31 Dec. 2021	31 Dec. 2020
		TEUR	TEUR
Equity			
Issued capital	**8.13**	17,806	17,806
Adjustment item from business acquisition	**8.13**	−12,453	−12,453
Capital reserves	**8.13**	5,815	1,996
Retained earnings	**8.13**	155	155
Net income	**8.13**	16,562	10,980
Attributable to shareholders of the parent company		27,885	18,484
Attributable to non-controlling shareholders		599	1,870
Total equity		**28,483**	**20,354**
Liabilities			
Non-current liabilities			
Financial liabilities	**8.14**	24,344	18,410
Bonds	**8.15**	12,850	0
Lease liabilities	**8.16**	330	382
Other liabilities	**8.20**	26	107
Deferred tax liabilities	**8.22**	5,480	2,602
Total non-current liabilities		**43,031**	**21,501**
Current liabilities			
Provisions	**8.17**	866	2,441
Financial liabilities	**8.14**	20,056	30,889
Bonds	**8.15**	376	0
Lease liabilities	**8.16**	132	121
Advance payments received	**8.19**	678	131
Current income tax liabilities	**8.21**	3,599	5,513
Trade payables	**8.18**	1,202	1,188
Other liabilities	**8.20**	4,480	5,291
Total current liabilities		**31,387**	**45,573**
Total assets		**102,902**	**87,428**

CONSOLIDATED INCOME STATEMENT

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 2021

	Note	1 Jan. 2021 – 31 Dec. 2021	1 Jan. 2020 – 31 Dec. 2020
		TEUR	TEUR
Revenue		31,588	31,263
Changes in value of investment property		2,243	2,754
Other operating income		824	82
Change in inventories		564	−313
Cost of materials		−21,477	−24,908
Staff costs		−1,968	−1,011
Depreciation of property, plant and equipment and amortisation of intangible assets		−169	−59
Other operating expenses		−2,496	−1,837
EBIT before income from associates		**9,109**	**5,972**
Income from associates	**8.5**	61	132
EBIT		**9,170**	**6,104**
Interest income	**8.29**	148	115
Interest expenses	**8.29**	−2,272	−1,100
Financial result		**−2,124**	**−985**
Earnings before income taxes		**7,046**	**5,119**
Income taxes	**8.30**	−1,973	−1,111
Consolidated net earnings		**5,073**	**4,008**
of which attributable to non-controlling shareholders		−24	410
of which attributable to shareholders of the parent company		5,097	3,599
Earnings per share (in EUR)	**8.31**	**0.29**	**0.22**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 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 equity component of the convertible bond			3,545				**3,545**
Share-based remuneration			274				**274**
Acquisition of non-controlling interests						109	**109**
Disposal of non-controlling interests					485	–1,357	**–872**
Consolidated comprehensive income					5,097	–24	**5,073**
As at 31 Dec. 2021	**17,806**	**–12,453**	**5,815**	**155**	**16,562**	**599**	**28,483**

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 2020

	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. 2020	**15,106**	**–12,453**	**778**	**155**	**7,378**	**1,029**	**11,994**
Capital increase	2,700		1,161				**3,861**
Share-based remuneration			57				**57**
Acquisition of non-controlling interests						442	**442**
Disposal of non-controlling interests					2	–11	**–9**
Consolidated comprehensive income					3,599	410	**4,008**
As at 31 Dec. 2020	**17,806**	**–12,453**	**1,996**	**155**	**10,980**	**1,870**	**20,354**

CONSOLIDATED CASH FLOW STATEMENT

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 2021

		1 Jan. 2021 – 31 Dec. 2021	1 Jan. 2020 – 31 Dec. 2020
		TEUR	TEUR
	Consolidated net earnings	5,073	4,008
+	Write-downs on fixed assets	47	30
+	Depreciation of right-of-use assets	122	29
−/+	Net income from associates accounted for using the equity method/ investment income	−61	−132
+/−	Increase/decrease in provisions	−1,576	1,786
+	Other non-cash changes	−3,199	3,191
−/+	Changes in value of investment property	−2,243	−2,754
−/+	Gains/losses on the disposal of fixed asset	0	−458
−/+	Gains/losses on the disposal of investment property	0	−4,650
−/+	Increase/decrease in inventories, trade receivables, contract assets and other assets not related to investing or financing activities	5,448	−31,713
+/−	Increase/decrease in trade payables and other liabilities not related to investing or financing activities	−331	5,189
+/−	Interest expenses/income	2,124	985
+/−	Income tax expense/income	1,973	1,061
−/+	Income taxes paid	−379	−600
=	**Cash flow from operating activities**	**6,999**	**−24,027**

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		1 Jan. 2021 – 31 Dec. 2021	1 Jan. 2020 – 31 Dec. 2020
		TEUR	TEUR
+	Proceeds from disposals of property, plant and equipment	0	100
+	Proceeds from disposals of financial assets	218	483
–	Payments for investments in intangible fixed assets	–3	–4
–	Payments for investments in property, plant and equipment	–172	–124
–	Payments for investments in financial assets	–5	–369
–	Payments for investment property	–14,807	–12,746
+	Interest received	46	48
=	**Cash flow from investing activities**	**–14,723**	**–12,612**
+	Proceeds from issuing bonds and (financial) borrowing	39,378	38,442
–	Payments from repaying bonds and (financial) loans	–27,506	–1,897
–	Repayment of lease liabilities	–114	–8
–	Interest paid	–2,272	–724
=	**Cash flow from financing activities**	**9,487**	**35,813**
	Cash changes in cash funds	**1,762**	–826
+	Changes in the consolidated group	0	119
+	Cash funds at the beginning of the period	623	1,330
=	**Cash funds at the end of the period**	**2,385**	**623**

Additional explanations in the notes to the consolidated financial statements, section 8.32

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2021

1 Basic 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 register number HRB 191556 B.

The company's shared are listed on the Düsseldorf Stock Exchange's open market under ISIN DE000A2GSVV5.

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

In accordance with Section 293 Handelsgesetzbuch (The German Commercial Code – HGB), The Grounds AG is not required to prepare group accounting for the 2021 financial year. Accordingly, these consolidated financial statements – like the Group management report – were prepared voluntarily.

The Grounds AG applied the regulations in Section 315e (3) HGB accordingly for its consolidated financial statements for the 2021 financial year. Accordingly, the consolidated financial statements were prepared 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 in accordance with the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) that are mandatory in the European Union (EU) for publicly traded companies, as well as in compliance with the provisions of German commercial law in accordance with Section 315e (1) HGB.

The requirements of the IFRS, as applicable in the EU, were met in full and provide a fair presentation of the financial position and performance of The Grounds AG Group (hereinafter referred to as "The Grounds Group"). Individual items of the consolidated statement of comprehensive income and the consolidated balance sheet have been combined to improve readability. These items are broken down and explained in the notes to the financial statements.

The consolidated statement of comprehensive income was prepared in accordance with the nature of expense method. It comprises only one income statement as there are no components to be recognised directly in equity and so no other comprehensive income needs to be reported.

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 structure, and so there is no segment reporting.

The accounting policies applied in the consolidated financial statements are the same in all material respects as those used for the consolidated financial statements as at 31 December 2020, except for the changes subsequently explained.

To improve presentation, income from associates was reclassified from the financial result to EBIT. In this context, the subtotals comprehensive income and operating result were removed and the new subtotal EBIT was added. For operational reasons, The Grounds AG holds interests primarily in joint ventures or associates. Given the proximity to original operating activities, income from associates is allocated to EBIT.

Following adoption by the EU, the following new or amended accounting standards and interpretations were mandatory for the IFRS consolidated financial statements for the 2021 financial year for the first time:

Standard/interpretation	First time mandatory application in the EU
Amendments to IFRS 16 “Leases”: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IFRS 9 “Financial Instruments”, IFRS 4 “Insurance Contracts”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 16 “Leases” and IAS 39 “Financial Instruments: Recognition and Measurement”: Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to IFRS 4 “Insurance Contracts”: Deferral of Effective Date of IFRS 9	1 January 2021

The resulting amendments to IFRS reporting requirements did not have a material effect on The Grounds AG’s consolidated financial statements.

The following accounting standards newly issued or amended by the IASB and – where indicated – not yet endorsed by the EU in some cases are mandatory for future financial statements only if they are endorsed by the EU (potentially after amendments are made) and The Grounds AG did not apply these early:

Standard/interpretation	First time mandatory application according to IASB	First time mandatory application in the EU
Amendments to IFRS 3 “Business Combinations”: Reference to the Conceptual Framework	1 January 2022	1 January 2022
Amendments to IAS 16 “Property, Plant and Equipment”: Proceeds before Intended Use	1 January 2022	1 January 2022
Annual improvement project 2018-2020 cycle	1 January 2022	1 January 2022
Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	1 January 2022
IFRS 17 “Insurance Contracts“ including amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023	1 January 2023
Amendments to IAS 1 “Presentation of Financial Statements” and to IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023	1 January 2023
Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”: Definition of Accounting Estimates	1 January 2023	1 January 2023
Amendments to IAS 1 “Presentation of Financial Statements”: Classification of Liabilities as Current or Non-Current	1 January 2023	Still unknown
Amendments to IAS 12 “Income Taxes”: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Still unknown
IFRS 14 “Regulatory Deferral Accounts”	1 January 2016	No EU endorsement

The company does not expect the application of the new accounting policies in the future to have any significant effects on the consolidated financial statements.

The amounts in consolidated financial statements are presented in thousands of euros (EUR thousand resp. TEUR in columns and tables) 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.

These consolidated financial statements for The Grounds AG were prepared voluntarily and approved authorised for issue by the Management Board on 12 April 2022.

3 Reporting Currency and Foreign Currency Translation

The Grounds AG prepares its consolidated financial statements in euro (EUR).

Transactions in foreign currencies are not to be reported and all consolidated companies also prepare their accounts in EUR.

4 Consolidation Methods

4.1 Financial year and reporting dates for the financial statements included

The Group's financial year is the calendar year. The reporting date for all separate financial statements of Group companies included in the consolidated financial statements is the same as the Group reporting date.

4.2 Inclusion of subsidiaries

Subsidiaries are companies whose financial and business policy can be directly or indirectly controlled by the Group. A list of the subsidiaries included in The Grounds AG's consolidated financial statements for the reporting period can be found in section 4.4.1.

Subsidiaries are included in the consolidated financial statements from the date on which control was transferred to the Group. They are deconsolidated as at the date on which the control ends.

Acquired subsidiaries are accounted for using the acquisition method. The cost of the acquisition represents the fair value of the assets surrendered and equity instruments issued plus any liabilities arising or assumed as at the date of exchange. For first-time consolidation, the assets, liabilities and contingent liabilities identified as part of a business combination are measured at fair value as at the acquisition date, regardless of the extent of minority interests. Any excess of the cost of the acquisition over the Group's share in net assets measured at fair value is recognised as goodwill. If the cost is lower than the (pro rata) net assets of the acquired subsidiary as measured at fair value, the difference is recognised directly through profit or loss in the statement of comprehensive income. Acquisitions of interests in subsidiaries after obtaining control are accounted for as equity transactions. The difference between the purchase price for the shares and the non-controlling interest disposed of is offset directly in equity against retained earnings.

Non-controlling interests in the subsidiary's equity are recognised as non-controlling interests within Group equity. The non-controlling interest is the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned directly by the parent or another subsidiary.

The sale of property companies by way of share deals is presented in the deconsolidation in the same way as a comparable direct sale of properties (asset deal), because these transactions are an integral component of The Grounds Group's core business. This takes account of the economic nature of the transactions with a view to ensuring a faithful depiction of financial position and performance. It follows that the selling price of the shares plus the liabilities sold less receivables from the property company sold is recognised as revenue, while the carrying amount of property sold is reported as cost of materials. For any remaining residual interests, the balance of the pro-rata consolidated carrying amounts of the assets and liabilities to be disposed of as a result of the sale is deemed as the cost. If properties are acquired through the acquisition of a property company, this is shown accordingly in the initial consolidation as the acquisition of a property.

Cost is the purchase price of the interests in the property company plus the liabilities assumed less other assets of the property company.

Intragroup transactions, balances and unrealised profits on transactions between Group companies are eliminated. The same applies to unrealised losses, unless the transaction indicates that the transferred asset is impaired. The accounting policies used by subsidiaries are adjusted where necessary to ensure uniform accounting throughout the Group in accordance with IFRS.

4.3 Accounting for associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity in which the equity interests are held. It is not control nor joint control of these policies. Significant influence is essentially exerted if The Grounds AG directly or indirectly (through subsidiaries) holds 20% or more of the voting rights.

Investments in associates that are relevant to the Group's financial position and performance are included in the consolidated financial statements using the equity method. Under the equity method, investments in associates are included in the consolidated balance sheet at cost, adjusted for changes in the Group's share of the profit or loss and other comprehensive income of the associate after the acquisition date. Losses of an associate that exceed the Group's interest in that associate are not recognised. They are recognised only if the Group has entered into a legal or constructive loss absorption obligation or makes payments instead of the associate.

Investments in associates are accounted for using the equity method from the time at which the associate requirements are met. Any excess of the cost of the acquisition over the acquired share of the fair value of the associate's identifiable assets, liabilities and contingent liabilities is recognised as goodwill. Goodwill is a component of the carrying amount of the investments and is not tested for impairment separately. Any amount by which the acquired share of the fair value of the associate's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition is recognised through profit or loss in the acquisition period when calculating the associate's share or profit or loss.

4.4 Consolidated group

4.4.1 Companies included

The consolidated financial statements of The Grounds AG as at 31 December 2021 include the parent company and all of the subsidiaries listed below.

List of subsidiaries

Company	Registered office	Equity interest
TGA Immobilien Erwerb 11 GmbH	Berlin	100.0%
TGA Immobilien Erwerb 4 GmbH	Berlin	100.0%
TGA Immobilien Erwerb 5 GmbH	Berlin	100.0%
TGA Immobilien Erwerb 7 GmbH	Berlin	100.0%
Silent Living Grundbesitz GmbH	Berlin	100.0%
TGA Immobilien Erwerb 12 GmbH	Berlin	100.0%
TGA Immobilien Erwerb 13 GmbH	Berlin	100.0%
TGA Immobilien Erwerb 14 GmbH	Berlin	100.0%
TGA Immobilien Erwerb 15 GmbH	Berlin	100.0%
Grundstücksentwicklung Halberstädter Straße 153 GmbH	Berlin	94.9%
The Grounds App 1 GmbH & Co. KG	Berlin	100.0%
BORBICO GmbH[5)]	Berlin	100.0%
Gesellschaft für Dienstleistungen Logistikzentrum Hangelsberg mbH	Berlin	100.0%
Capstone Opportunities AG	Berlin	89.9%
CS1 GmbH[2)]	Berlin	100.0%
CSO Verwaltung GmbH[2)]	Berlin	100.0%
TGA Immobilien Erwerb 8 GmbH[2)]	Berlin	100.0%
Wohnen am Haseknie GmbH & Co. KG[2)]	Berlin	100.0%
WMKG GmbH[1), 2)]	Berlin	100.0%
Grundstücksgesellschaft LennéQuartier mbH & Co. KG[1), 5)]	Berlin	94.9%
The Grounds Dallgow-Döberitz GmbH[1)]	Berlin	100.0%
The Grounds Bernau GmbH[1)]	Berlin	100.0%

In addition, the consolidated financial statements also include the following associates:

List of associates

Company	Registered office	Equity interest
Zeppelin One GmbH[4)]	Berlin	50.0%
CS2 GmbH[2), 3)]	Berlin	49.0%
The Grounds App 2 GmbH & Co. KG	Berlin	49.0%
Börde Bogen Management GmbH (formerly: The Grounds Wohnen GmbH) [1)]	Berlin	49.0%

1) Added in the financial year.
2) Held indirectly via Capstone Opportunities AG.
3) Held partly directly, partly indirectly via Capstone Opportunities AG.
4) Held indirectly via TGA Immobilien Erwerb 8 GmbH.
5) Held indirectly via TGA Immobilien Erwerb 12 GmbH.

The Grounds AG had the following equity interests as at the end of the reporting date:

List of investments

Company	Registered office	Equity interest	Net profit/loss for the year (EUR thousand)	Equity (EUR thousand)
ZuHause in Heubach GmbH & Co. KG[6)]	Stuttgart	10.1%	−2,797	−2,556
PropTech1 Fund I Carry GmbH & Co.KG[7)]	Berlin	5.5%	−2,325	22,080
ERIC Group GmbH[6)]	Berlin	1.2%	−167	2,051

All equity interests were held directly.
6) Data as per provisional annual financial statements as at 31 December 2020.
7) Data as per annual financial statements as at 31 December 2021.

4.4.2 Changes in the reporting period

The consolidated group changed as follows in the reporting period compared to 31 December 2020:

- The acquisition of an additional 50% of shares in WMKG GmbH and 42.35% of the limited partner’s shares in Grundstücksgesellschaft LennéQuartier mbH & Co. KG mean that the two companies became subsidiaries.
- The Grounds Dallgow-Döberitz GmbH, The Grounds Bernau GmbH and The Grounds Wohnen GmbH were established in the reporting period.

- The Grounds Real Estate Development AG acquired the remaining 5.1% of shares in The Grounds Real Estate GmbH. MDSG Lagerwirtschaft und Distributionsgesellschaft mbH was then merged with The Grounds Real Estate GmbH. The Grounds Real Estate GmbH was then merged with The Grounds Real Estate Development AG.

- 51% of shares in both The Grounds App 2 GmbH & Co. KG and in Börde Bogen Management GmbH (formerly: The Grounds Wohnen GmbH) were sold. Both companies were associates as at 31 December 2021.

The sale of shares in Börde Bogen Management GmbH resulted in total deconsolidation gains of EUR 1 thousand in the reporting period. This amount breaks down as follows:

	TEUR
Purchase price components received	13
Assets sold	–24
Liabilities sold	0
Fair value of remaining associate	12
Deconsolidation gain	**1**

The sale of shares in The Grounds App 2 GmbH & Co. KG, Berlin, resulted in total deconsolidation gains of EUR 5,924 thousand in the reporting period. This amount breaks down as follows:

	TEUR
Purchase price components received	2,786
Assets sold	–11,699
Liabilities sold	12,161
Fair value of remaining associate less deferred tax	2,676
Deconsolidation gain	**5,924**

5 Significant Accounting Policies

The subsidiaries' financial statements were included in the consolidated financial statements on a uniform basis using the following accounting policies. Where any material differences in the Group's accounting methods were identified in the associates' separate financial statements, an adjustment has been made accordingly.

5.1 Intangible assets

5.1.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share in the fair value of the acquired company's net assets at the acquisition date and is recognised as an intangible asset. Goodwill resulting from the acquisition of an associate is included in the carrying amount of the interest in the associate.

The goodwill is tested for impairment annually as well on an ad hoc basis in the event of value-decreasing events (impairment only approach) and measured at original cost less cumulative impairment losses. It is not written down.

For the purposes of Group accounting for the 2021 reporting period, no impairment of the reported goodwill was assumed as a result of contributing shares to The Grounds Real Estate AG in 2017, which was presented as a reverse acquisition. The goodwill from the acquisition of Capstone Opportunities AG also did not result in any impairment.

5.1.2 Other intangible assets

Other intangible assets include purchased software. It is capitalised at cost at the time of acquisition and recognised in subsequent periods at cost less accumulated amortisation (amortised cost) and any accumulated impairment. It is amortised using the straight-line method, starting from the time at which the software can be used as intended. The amortisation period is the expected useful life, which is between two and six years.

5.2. Property, plant and equipment

Property, plant and equipment include the company's tools and equipment. It is recognised at cost less accumulated depreciation (depreciated cost) and any accumulated impairment. It is depreciated using the straight-line method, taking account of the residual value and respective useful life.

Depreciation begins as soon as the asset can be used as intended.

5.3 Leases

Company contracts are assessed at inception as to whether they are, or contain, a lease. A contract is, or contains, a lease if the contractual agreements grant the right to control the use of an identified asset for a period of time in exchange for consideration.

5.3.1. Contractual relationships as a lessee

The Grounds Group is a lessee in the following asset categories, although these leases are of minor significance overall:

- Business and office space
- Motor vehicles
- (Other) operating and office equipment

With the exception of current leases, The Grounds Group recognises an asset for the right-of-use asset for the leased asset in question and a liability for the payment obligations incurred for all identified leases where it is the lessee.

The right-of-use asset is measured at cost at the time of acquisition. This results from the value of the lease liability on initial recognition and any ancillary costs (payments made before the start of the term, directly attributable costs to obtain contracts, agreed restoration obligations) and reductions (incentive payments received). Lease and non-lease components in the leases are separated and the non-lease components are recognised immediately as an expense.

The lease liability is measured at the present value of the lease payments payable over the lease term. The payment obligations are generally discounted using the incremental borrowing rate, as the implied interest rates for the leases cannot be reliably calculated. The incremental borrowing rate is based on the interest rate that the company would have to pay for borrowing under comparable economic conditions. A uniform discount rate is used for portfolios of leases with similar characteristics (e. g. similar assets, similar maturities etc.).

The lease payments included in the measurement of the lease liability comprise:

- Fixed payments including in-substance fixed payments and less incentives granted by the lessor
- Variable payments that depend on an index or benchmark rate (initially measured using the index or rate as at the commencement date)
- Amounts expected to be payable under residual value guarantees
- Exercise prices for purchase or extension options if it is reasonably certain that the option will be exercised
- Penalties for early termination of the lease if it is reasonably certain that it will be terminated.

As well as the fixed period, when determining the term of the lease periods are also taken into account that are expected as a result of exercising renewal options and not exercising termination options.

For the purposes of subsequent measurement, the right-of-use asset is written down on a straight-line basis over the lease term. The lease liability is adjusted using the effective interest method and taking lease payments into account. In addition, the right-of-use asset is written down for impairment losses, if necessary, and adjusted on an ongoing basis for certain remeasurements of the lease liability.

Lease liabilities are remeasured if the future lease payments change as a result of an index or interest rate change, estimates of expected payments are to be adjusted due to a residual value guarantee, a new estimate is made regarding the exercise of a purchase, extension or termination option, or in-substance fixed lease payments change. In the event of remeasurement of the lease liability, the carrying amount of the right-of-use asset is adjusted accordingly. If this adjustment would reduce the carrying amount of the right-of-use asset to below zero, the adjustment amount is recognised through profit or loss in the consolidated statement of comprehensive income.

The right-of-use assets to be recognised from leases are reported separately in the consolidated balance sheet under non-current assets. The corresponding lease liabilities are also reported separately in the consolidated balance sheet under non-current and current liabilities.

In deviation from the principles described above, no right-of-use asset or lease liability is recognised for current leases with a remaining term of up to twelve months. Instead, the lease payments made are recognised as an expense in accordance with the contractual arrangements, unless straight-line expense allocation over the term of the contract appears more appropriate.

5.3.2 Contractual relationships as a lessor

The Grounds Group is a real estate lessor. A distinction is drawn for these leases as to whether they are finance leases or operating leases. This is determined mainly by which contractual partner bears the material opportunities and risks associated with ownership of the asset in the lease. For the purpose of this assessment, certain factors are considered such as whether the lease covers the major part of the economic life of the asset. If, after conducting an overall assessment of the contractual arrangements, it is found that the lessee bears the material opportunities and risks, the lease is a finance lease. If not, it is an operating lease.

The Grounds Group's leases with tenants are generally considered operating leases. They relate primarily to the Group's privatisation projects, although some also relate to investment property. The resulting monthly rental payments received are recognised through profit or loss under revenue in accordance with the provisions of the lease, unless straight-line income allocation over the term of the lease appears more appropriate. If an agreement contains both lease and non-lease components, the consideration agreed in the contract is allocated in accordance with IFRS 15.

5.4 Investment property

Investment properties are properties that are held to earn rentals and/or for capital appreciation in the long term. This also includes properties that are (still) at the construction stage and that are intended for the purpose outlined above. Unlike properties held as inventories, investment properties are not generally actively resold until after a longer holding period, and then as part of portfolio restructuring.

Investment property is initially measured at cost, including transaction costs, and then at fair value. Gains and losses resulting from changes to the fair value are recognised through profit or loss in the consolidated statement of comprehensive income for the period in which they arise.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses resulting from the disposal are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised through profit or loss in the consolidated statement of comprehensive income.

If properties are initially purchased for trading and thus allocated to inventories, they are reclassified to investment property at the time it becomes apparent that direct utilisation by way of sale is no longer possible and, instead, a longer phase of property developing (renovation, new rental) in the company's own portfolio is expected.

5.5 Impairment of assets

Assets that are subject to amortisation or depreciation are tested for impairment as soon as events or indicators suggest that their carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the carrying amount of an asset exceeds its recoverable amount. The latter is the higher of the asset's fair value less costs to sell and the discounted net cash flow from further use (value in use). To assess whether the assets are impaired, they are combined at the lowest level into cash-generating units for which cash flows can be identified largely independently of the rest of the company.

In the event of recovery, however, the write-downs are reversed up to a maximum of amortised or depreciated cost.

5.6 Financial instruments

5.6.1 Financial assets

Acquisitions and sales of financial assets are reported as at the settlement date. They are recognised at fair value at the time of acquisition. Directly attributable transaction costs increase the value on initial recognition, unless they are measured at fair value through profit or loss.

The financial assets are divided into the following measurement categories based on the company's business model for managing these assets and the contractual cash flow characteristics:

- at amortised cost (AC)
- at fair value through other comprehensive income (FVTOCI)
- at fair value through profit or loss (FVTPL)

In both the reporting year and the comparative previous year period, The Grounds Group recognised only loans and receivable that were measured at (amortised) cost in accordance with IAS 39, as well as equity investments. The investments accounted for are assets in the "FVTPL" category.

The investments recognised as at the end of the reporting period are accounted for conceptually at fair value, which is calculated on the basis of the estimated present value of future earnings as at the end of the reporting period in question. For immaterial investments, it was in some cases assumed that the amortised cost is equal to fair value. Deferred income taxes are recognised on any differences as at the end of the reporting period between the carrying amount of the investment under IFRS and the relevant tax base, where the gains on disposal are not tax-exempt in the future and the amounts are material.

Impairment losses on financial assets measured at amortised cost is recognised through profit or loss and calculated using the simplified approach in accordance with IFRS 9.5.5.15. This model calculates impairment, taking account of existing collateral in the amount of the expected credit losses over the lifetime of the assets. If the reasons for the impairment cease to exist, in part or in full, the impairment losses on the receivables are reversed up to a maximum of amortised cost and recognised through profit or loss. Once it is clear that a receivable is uncollectible, the full amount is derecognised through profit or loss.

Changes in the fair value of equity investments in the “FVTOCI” category are recognised through other comprehensive income. Gains and losses recognised in other comprehensive income are not classified through profit or loss upon disposal of these financial assets. However, dividends are recognised through profit or loss.

5.6.2 Financial liabilities

Non-derivative financial liabilities are initially recognised at fair value after deducting transaction costs. They are measured at amortised cost in subsequent periods. Any difference between the amount paid out (after deducting transaction costs) and the repayment amount is recognised through profit or loss in the consolidated statement of comprehensive income over the term of the liability using the effective interest method.

Financial liabilities are classified as current if the Group does not have the unconditional right to defer settlement until at least twelve months after the end of the reporting period.

When determining the fair value, the expected future cash flows are discounted on the basis of a market interest rate with matching maturity. Individual features of the financial instruments to be measured are taken into account by applying standard market credit rating or liquidity spreads.

5.7 Fair value

The fair value of The Grounds Group's financial assets and liabilities is calculated on the basis of Level 1, 2 and 3 inputs.

According to IFRS 13, fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction under current market conditions at the measurement date in the context of an orderly transaction. The fair value can be calculated using the market approach, the cost approach or the income approach. In doing so, the use of relevant, observable inputs is maximised and that of unobservable inputs is minimised.

The inputs are divided into the following hierarchical measurement categories:

- **Level 1:** Unadjusted prices quoted in active markets for identical assets and liabilities. The reporting entity must have access to these active markets at the measurement date (IFRS 13 – Appendix A, IFRS 13.76)

- **Level 2:** Directly or indirectly observable inputs that are not to be allocated to Level 1 (IFRS 13 – Appendix A, IFRS 13.81)

- **Level 3:** Unobservable inputs (IFRS 13 – Appendix A, IFRS 13.86)

If the individual inputs are to be allocated to different levels of the fair value hierarchy, a distinction is initially drawn between significant and insignificant inputs.

The fair value measurement as a whole is categorised in the same level as the lowest level significant input (IFRS 13.73).

5.8 Inventories

The Grounds Group's inventories comprise the properties acquired for sale or development. They are recognised at the lower of cost and net realisable value. Cost comprises the purchase price of the properties plus directly attributable ancillary costs such as estate agent fees, land transfer tax, notary costs and the costs of land registration. Cost is also incurred if renovation or development work is carried out on the properties prior to disposal. Cost includes directly attributable production materials costs and salaries, as well as the costs of attributable third-party services. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale still to be incurred.

5.9 Cash and cash equivalents

Cash and cash equivalents are recognised at cost in the consolidated balance sheet. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash, demand deposits at banks and other short-term, highly liquid financial investments with an original duration not exceeding three months.

5.10 Share-based remuneration

Share-based remuneration commitments (option rights) granted by The Grounds AG for the first time in the reporting period are to be settled in equity instruments, although the company also has the option to settle in cash. Fair value is determined at the time the options are issued and recognised as an expense on a pro rata basis over the beneficiaries' vesting period, with a corresponding increase in equity. With regard to performance conditions for the remuneration commitments that are dependent on the capital market, the fair value of the options granted at the issue date is calculated using a recognised mathematical measurement model (Black-Scholes model), taking into account these conditions, and carried forward unchanged. Accordingly, no adjustment is made between expected and actual results for these performance conditions that are dependent on the capital market. However, the amount recognised as an expense is adjusted if there are any changes to the number of options granted. These changes can also be due to the fulfilment of service and/or capital market-independent performance conditions as expected.

5.11 Costs of raising equity

In line with IAS 32, the expenses directly attributable to raising equity are offset against capital reserves through other comprehensive income, net of any related income tax benefits, provided they relate to the issue of new equity instruments. Expenses that cannot be attributed in full to the raising of equity are divided into components that are to be offset directly against equity and components to be recognised through profit or loss as expenses in the reporting period using a meaningful basis of allocation.

5.12 Provisions

Provisions are recognised if the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be necessary to settle the obligation and a reliable estimate can be made of the amount. If the company expects a provision to be reimbursed (for example because of an insurance policy), it accounts for the right to reimbursement as a separate asset, provided it is virtually certain that reimbursement will be received if a claim is asserted for the obligation.

A provision is recognised for loss-making transactions if the expected benefit from the contractual claims is lower than the unavoidable costs of meeting the obligations under the contract.

The provisions are measured with the probable outflow of resources. The measurement of non-current provisions takes account of discounting at the risk-adjusted interest rate.

5.13 Deferred income taxes

Deferred income taxes are accounted for using the liability method for temporary differences between the tax base and the IFRS carrying amount of assets and liabilities and for unused tax loss carryforwards. The effective tax rate at the end of the reporting period for the time of the reversal is used to determine deferred income taxes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be generated against which the deductible temporary differences or loss carryforwards can be utilised.

Changes in deferred tax items are recognised through profit or loss. Exceptions to this include the addition of deferred tax items through other comprehensive income in the context of purchase price allocation for business acquisitions and deferred tax items in connection with changes in value to be recognised directly against reserves, which are also recognised directly against reserves.

5.14 Borrowing costs

Borrowing costs that relate to the production of a qualifying asset are capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. This requirement is fulfilled in particular by the project developments carried out by The Grounds Group. Other borrowing costs are recognised as an expense through profit or loss in the consolidated statement of comprehensive income in the period in which they are incurred.

5.15 Revenue recognition

Revenue from contracts with customers is recognised in the consolidated statement of comprehensive income through profit or loss as soon as control of the good to be supplied or service to be provided is transferred to the customer. It is recognised at the amount of the consideration to which the Group is entitled after meeting its performance obligation for a point in time or over a period of time as expected in accordance with the contractual arrangements.

The Grounds Group's revenue is generated primarily from developing and selling apartments and project properties, as well as from rental income and operating costs.

Revenue from property sales includes primarily a single performance obligation in accordance with IFRS 15. Property sales without an economically relevant construction obligation usually have a performance obligation over a period of time. Control of the property is transferred to the buyer when ownership, benefits, encumbrances and risk is transferred. An enforceable right to payment arises at this time. If property companies are sold, this point in time is the same as the transfer of shares is completed in rem. The revenue corresponds to the amount charged for the transaction. As the consideration is essentially due when the title is transferred, this does not include any material financing components. If obligations to provide subsequent repair or renovation work are assumed together with the sale, resulting revenue is not recognised until these are met as they are considered a separable performance obligation.

If implementing property purchase contracts with customers involves considerable construction obligations, revenue is generally recognised for a period of time using the stage of completion for the construction project from the time of entering into the contract with the customer. The stage of completion is determined by comparing construction costs already incurred to the expected total costs of the project (cost-to-cost method). The resulting revenue is determined on the basis of the consideration set out in the contract with the customer. If contractual progress payments are agreed that are calculated or collected according to performance milestones relating to construction completion, a contract asset is capitalised for all work performed until a milestone is achieved and recognised separately in the consolidated balance sheet. If the milestone payment exceeds the revenue reported by this time in accordance with the cost-to-cost method, a contract liability equal to the difference is recognised. The purchase agreements do not generally contain any material financing components because the period between revenue recognition and the respective milestone payment is less than one year.

Property projects for which there are not yet any purchase agreements with customers are recognised as properties held for sale pursuant to IAS 2 until an agreement is concluded.

Rental income is reported on an accrual basis over the term of the lease in line with the underlying contractual provisions and recognised in revenue. The ancillary/operating costs billed to the tenants are recognised as revenue because the Group acts as the primary responsible party (principal) in relation to the tenants for the services owed and bears the inventory risk.

Interest income is recognised on a time proportion basis and deferred in line with the outstanding nominal amount and the effective interest rate. The effective interest rate is the interest rate by which the expected future cash receipts are discounted over the term of the financial asset such that the net carrying amount of this asset is reached exactly at first-time recognition.

5.16 Brokerage remuneration

Remuneration for brokering specific business transactions with customers is essentially to be capitalised as an asset and written down. In view of their short-term nature, The Grounds Group's brokerage fees are recognised as an expense at the time the brokered transaction is performed. Until this time, brokerage fees that have already been paid are recognised as costs to obtain contracts under other receivables.

6 Capital and Financial Risk Management

With the help of capital management, The Grounds AG aims to strengthen the Group's liquidity and equity base in the long term, provide funds for equity-financed growth at the Group and generate an appropriate return on capital employed.

Financial risk management comprises managing and mitigating financial risks from operating activities. Liquidity risk (avoiding disruptions to solvency) and credit risk (risk of a loss if a contractual party does not meet its contractual obligations) are particularly relevant here.

Responsibility for liquidity risk management lies with the Management Board, which has established a system for managing short-term, medium-term and long-term financing and liquidity requirements that is appropriate given the size of the company. The Group manages liquidity risks by holding suitable cash, credit facilities at banks and other facilities as well as by continually monitoring projected and actual cash flows as part of rolling liquidity controlling and reconciling maturity profiles of financial assets and liabilities.

To reduce credit risks, The Grounds Group forms sales business relationships only with contracting parties that have good credit ratings.

7 Critical Accounting Estimates and Assumptions

Preparing the IFRS consolidated financial statements also requires assumptions and estimates to be made about expected future developments that (may) affect the presentation of assets and liabilities, income and expenses and contingent assets and liabilities for the respective reporting period. To the best of management's knowledge, these assumptions and estimates are made on the basis of the latest available, reliable information, but they will nonetheless only very rarely correspond precisely to actual future developments.

Estimates and assumptions must be made in particular for the following:

- Measurement of bad debts
- Recognition of current and deferred tax items, especially regarding the ability to realise deferred tax assets.
  There are uncertainties as to the interpretation of complex tax regulations. Accordingly, differences between actual outcomes and our assumptions or future changes in these assumptions may result in changes in the tax result in future periods.
- Recognition and measurement of provisions based on existing estimate ranges of potential future negative impact on the Group.
- Estimate of the (higher) interest rate in line with the market for a bond without conversion rights comparable to the convertible bond issued.
- Estimate of hidden reserves to be identified as part of purchase price allocation for business acquisitions.
- Measurement of goodwill
- Estimate of expected total costs for measuring process in connection with the recognition of revenue over a period of time for construction services using the cost-to-cost method.

Changes to estimates and assumptions are taken into account through profit or loss when new information is available.

8 Additional Explanations on Individual Items of the Financial Statements

8.1 Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment were as follows:

	Goodwill		Other intangible assets		Property, plant and equipment	
	2021	2020	2021	2020	2021	2020
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Cost	1,939	778	32	25	199	211
Accumulated depreciation/ amortisation	0	0	17	12	60	67
Carrying amount as at 1 Jan.	**1,939**	**778**	**15**	**13**	**139**	**144**
Additions (+)	2	1,161	3	0	172	90
Additions from initial consolidation (+)	0	0	0	7	0	55
Disposals (–)	0	0	0	0	0	–101
Depreciation/amortisation (–)	0	0	–3	–2	–45	–28
Additions from depreciation/ amortisation from initial consolidation (–)	0	0	0	–3	0	–21
Carrying amount as at 31 Dec.	**1,941**	**1,939**	**15**	**15**	**266**	**139**
Cost	1,941	1,939	21	32	333	199
Accumulated depreciation/ amortisation	0	0	6	17	67	60

8.2 Right-of-use assets

The right-of-use assets from leases, broken down by asset category, developed as follows in the reporting period:

	Business and office space		Motor vehicles		Other operating and office equipment	
	2021	2020	2021	2020	2021	2020
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Cost	447	0	51	0	12	0
Accumulated depreciation/ amortisation	22	0	3	0	3	0
Carrying amount as at 1 Jan.	**425**	**0**	**48**	**0**	**9**	**0**
Additions (+)	0	447	73	51	0	12
Additions from initial consolida-tion (+)	0	0	0	0	0	0
Disposals (–)	0	0	0	0	0	0
Depreciation/amortisation (–)	–90	–22	–29	–3	–3	–3
Additions from deprecia-tion/amortisation from initial consolidation (–)	0	0	0	0	0	0
Carrying amount as at 31 Dec.	**335**	**425**	**92**	**48**	**6**	**9**
Cost	447	447	124	51	12	12
Accumulated depreciation/ amortisation	112	22	32	3	6	3

There were no short-term leases for which the exemption provided by IFRS 16.6 was applied as at the end of the reporting period.

8.3 Lessor relationships

Leases classified as operating leases of The Grounds Group generated rental income of EUR 1,593 thousand (previous year: EUR 1,176 thousand) in the reporting period. EUR 582 thousand of this (previous year: EUR 81 thousand) is attributable to properties held for sale/ project properties and EUR 1,011 thousand (previous year: EUR 1,095 thousand) to investment property.

The Grounds Group's operating leases in 2021 essentially related to the leasing of residential properties with a statutory notice period of three months. Existing leases for the current property portfolio are expected to generate minimum lease payments of approximately EUR 489 thousand in the 2022 financial year, EUR 115 thousand of which is attributable to properties held for sale that are to be sold as part of individual privatisation. Future minimum lease payments for the basic lease term from longer-term commercial property lets, which cannot be terminated, are of minor significance.

8.4 Equity investments

The equity investments reported comprise a 10.1% interest in ZuHause in Heubach GmbH & Co. KG, Stuttgart, a 5.5% interest in PropTech1 Fund I Carry GmbH & Co.KG, Berlin, and a 1.2% interest in ERIC Group GmbH, Berlin, which are recognised at cost. No deferred taxes were accrued because there were no differences between the carrying amounts of the investments under IFRS and the values for tax purposes.

8.5 Interests in companies accounted for using the equity method

Interests in companies accounted for using the equity method developed as follows:

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Beginning of the financial year	**2,673**	**0**
Additions to interests	3,195	2,541
Disposals of interests due to change to consolidation	–488	0
Share in profit and loss	61	132
End of the financial year	**5,441**	**2,673**

8.6 Investment property

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Beginning of the financial year	**14,000**	**9,600**
Additions (+)	14,807	12,746
Disposals (–)	0	–11,100
Appreciation (+)	2,243	2,754
End of the financial year	**31,050**	**14,000**

The addition in 2021 was for a housing complex with 59 flats, 64 car parking spaces and a total rental area of 4,070 m².

Carrying amounts for investment property amounting to EUR 18,710 thousand (previous year: EUR 8,700 thousand) had land charges as collateral for liabilities to banks.

Reports were obtained from independent experts to calculate the fair values of the investment properties as at the end of the reporting period. The calculations include estimates that cannot be observed on the market, in particular expected future rental income and operating costs. This resulted in a total fair value of EUR 31,050 thousand as at the end of the reporting period.

The following table provides an overview of the material assumptions and events used to calculate the fair value of the investment property in accordance with the German income approach:

Measurement parameter	Unit	Mean	Range
Property interest rate	in %	3.7	2.6–5.5
Remaining useful life	Years	40	35–50
Market rent	EUR/m²	5.88	4.37–8.22
Operating costs	% of gross profit	24.1%	15.5–31.0

Measurement results	Unit	Mean	Range
Target rent multiplier	Factor	16.8	10.8– 21.7
Market value per m²	EUR/m²	1,185	582–2,137

If the property interest rate used to calculate the fair values of these properties had been increased by 0.5 percentage points, the fair value would have been EUR 28,460 thousand. If, on the other hand, the property interest rate had been reduced by 0.5 percentage points, the total fair value would have been EUR 33,920 thousand. A 10% decrease in market rent would put the fair value of the properties at EUR 27,550 thousand. If market rent were increased by 10%, the total fair value would have been EUR 34,380 thousand. The fair value of the properties would have totalled EUR 31,390 thousand if the vacancy rate had been reduced by 1%. Conversely, this would increase to EUR 30,430 thousand if the vacancy rate had been increased by 1%.

The consolidated statement of comprehensive income contains the following items relating to investment property:

	2021	2020
	TEUR	TEUR
Rental income (revenue)	1,011	1,095
Cost of materials	–171	–269
Maintenance expenses	–67	–17
Total	**773**	**809**

8.7 Other financial assets

Other financial assets break down as follows:

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Shares in cooperatives	15	10
Non-current loans	0	213
Other securities	0	5
Total	**15**	**228**

8.8 Inventories

The Grounds Group's inventories comprise work in progress, properties under construction, properties ready for sale and advance payments made. They break down as follows:

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Work in progress	548	0
Properties under construction	17,811	22,478
Properties ready for sale	17,887	8,471
Advance payments made	1,748	1,288
Total	**37,994**	**32,237**

Properties under construction include project developments in the planning and construction phase.

8.9 Contract assets

Contract assets of EUR 4,571 thousand (previous year: EUR 12,399 thousand) are considered current. They relate in full to construction work already performed for a housing construction project in Magdeburg. Work performed on the development as at 31 December 2021 came to EUR 10,681 thousand. Advance payments received from customers totalled EUR 6,110 thousand as at 31 December 2021. The net amount of these items results in contract assets of EUR 4,571 thousand.

8.10 Trade receivables

Trade receivables essentially result from services invoicing. Changes in trade receivables are shown in the table below:

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Trade receivables (gross)	2,724	136
Write-downs	–1	0
Trade receivables (net)	**2,723**	**136**

Trade receivables as at the end of the reporting period had the following maturity structure:

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Trade receivables	**2,723**	**136**
of which not impaired and not past due as at the reporting date	2,356	111
of which not impaired but past due as at the reporting date up to 30 days	20	16
of which not impaired but past due as at the reporting date between 31 and 60 days	8	2
of which not impaired but past due as at the reporting date between 61 and 90 days	8	4
of which not impaired but past due as at the reporting date between 91 and 180 days	13	0
of which not impaired but past due as at the reporting date between 181 and 360 days	315	3
of which not impaired but past due as at the reporting date more than 360 days	4	0
Net value of impaired trade receivables	**1**	**0**

The default risk of receivables that were more than 30 days past due as at the end of the reporting period is considered immaterial.

8.11 Other receivables

As in the previous year, other receivables as at the end of the reporting period included only current items and break down as follows:

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Receivables from investees	7	0
Receivables from loans to associates	7,214	0
Other receivables from associates	15	431
Receivables from loans to related parties	223	1,316
Other receivables from related parties	54	193
Receivables from loans to third parties	1,650	1,604
Costs to obtain contracts	4,434	0
Payment claims from notary escrow account	0	15,650
Receivables from VAT	154	178
Tax refund claims	0	388
Deposits	41	34
Miscellaneous other receivables	354	602
Total	**14,146**	**20,396**

As in the previous year, the loans to related parties of EUR 223 thousand (previous year: EUR 1,316 thousand) bear interest at 5% p. a.

The EUR 1,500 thousand loan to third parties (previous year: EUR 1,500 thousand) bears interest at 3% p. a., as in the previous year, and is secured by a land charge.

No write-downs were recognised for other receivables.

8.12 Cash

Cash includes balances with banks due on demand.

8.13 Equity

The company's issued capital as at the end of the reporting period came to EUR 17,805,517 and is divided into 17,805,517 ordinary bearer shares. It developed as follows in the reporting period:

	31 Dec. 2021	31 Dec. 2020
	EUR	EUR
Beginning of the financial year	**17,805,517**	**15,105,517**
Non-cash capital increase	0	2,700,000
End of the financial year	**17,805,517**	**17,805,517**

A resolution of the Annual General Meeting on 27 August 2021 authorised the Management Board, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions on or before 26 August 2026 by a total of up to EUR 8,902,758 in return for contributions in cash and/or in kind. Shareholder pre-emption rights can be disapplied (Authorised Capital 2021/I).

A resolution by the Annual General Meeting on 28 August 2020 to implement a stock option plan for members of the Management Board and other members contingently increased the company's share capital by up to EUR 1,750 thousand (Contingent Capital 2020). In addition, the Annual General Meeting resolution dated 2 August 2018 (as well as the amendment resolution dated 28 August 2020) contingently increased the share capital by up to EUR 7,152,758 to service convertible and/or warrant bonds and/or profit participation rights (Contingent Capital 2018).

The capital reserves include issue amounts for generated in past capital increases in excess of the amount of issued capital, as well as additions from the issue of share-based payment and the recognition of the equity component of the convertible bond issued in the reporting period. These amounts are reduced by the costs of raising equity (after deducting income taxes) and by withdrawals for loss compensation.

The change in capital reserves in the reporting period is as follows: The equity component of the EUR 3,545 thousand convertible bond was recognised in capital reserves. A total of EUR 274 thousand was added to capital reserves as a result of issuing share-based remuneration (option rights) within the meaning of IFRS 2.

Retained earnings are the result of transactions recognised through other comprehensive income when preparing the IFRS consolidated financial statements for the first time.

The adjustment item from the business acquisition relates to the reverse acquisition between The Grounds AG and The Grounds Real Estate GmbH (previously: AG) in the 2017 financial year.

Net income reflects the Group's earnings up to the end of the reporting period that have not yet been distributed.

The composition of and changes in equity are shown in the statement of changes in equity.

8.14 Financial liabilities

The company's financial liabilities are as follows:

	31 Dec. 2021 TEUR	31 Dec. 2020 TEUR
Non-current financial liabilities		
Liabilities to banks and other lenders	24,344	18,410
Total non-current financial liabilities	**24,344**	**18,410**
Current financial liabilities		
Liabilities to banks and other lenders	20,056	30,889
Total current financial liabilities	**20,056**	**30,889**
Total financial liabilities	**44,400**	**49,299**

Liabilities to banks of EUR 40,289 thousand (previous year: EUR 38,401 thousand) are secured by land charges. The liabilities are also secured by bank account pledges, the assignment of damages and the assignment of sale and rent receivables. One member of the Supervisory Board and a former member of the Management Board also issued absolute guarantees totalling EUR 2,876 thousand (previous year: EUR 2,223 thousand) for these liabilities. In addition, three related companies issued guarantees of EUR 200 thousand each.

There are also contractual obligations regarding compliance with key financial indicators (financial covenants) amounting to EUR 17,322 thousand (previous year: EUR 8,700 thousand) for financial liabilities. The key financial indicators are essentially standard sector covenants relating to the loan-to-value ratio (ratio between the balance of debt and market value of the property used as collateral) and the debt service cover ratio/interest cover ratio, i.e. the ability to service the expected debt service through income.

The financial liabilities include subordinated loans of EUR 340 thousand granted by related companies and that bear interest at 5% p.a.

All loans are denominated in EUR.

8.15 Bonds

In February 2021, The Grounds AG issued a convertible bond payable at maturity with a term of three years and a total nominal amount of EUR 12.0 million, which was increased by EUR 4.8 million to a total of EUR 16.8 million in October 2021. The bond was issued with a nominal denomination of EUR 1,000 each. This nominal amount of EUR 1,000 entitles the holder to conversion into registered no-par value shares of The Grounds AG in the amount determined by dividing the effective conversion price on the exercise date. The initial conversion price is EUR 3.20 per share. This puts the conversion ratio at 312 shares per bond at a nominal amount of EUR 1,000. The conversion right for the convertible bond can be exercised at any time during the term, with some restrictions. The bond bears interest at a nominal rate of 6.0% p. a. Interest payments are made twice a year on 18 August and 18 February, with the first payment made on 18 August 2021.

Net issue proceeds were used primarily to acquire new property assets.

For accounting purposes, the convertible debt instrument is separated into an equity and a liability component. The equity component at the issue date was calculated at EUR 3,545 thousand, taking into account issue costs and an appropriate nominal interest discount for the conversion right from the payments to be made. This amount of recognised in the capital reserves. The carrying amount of the bond recognised includes the amortised performance obligation of the liability component at the end of the reporting period.

The current liabilities from bonds relate to outstanding interest obligations. Total interest expenses of EUR 830 thousand were recognised for the bond in the reporting period.

8.16 Lease liabilities

Lease liabilities break down as follows:

Maturity	Up to 1 year		> 1 year to 5 years		> 5 years	
	2021	2020	2021	2020	2021	2020
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Payments	155	130	356	454	0	0
Interest portion	23	25	26	46	0	0
Principal portion	132	105	330	408	0	0

There were no expenses from short-term leases for which the exemption provided by IFRS 16.6 was applied for the reporting period.

8.17 Provisions

Provisions developed as follows in the reporting period:

	Staff	Out-standing invoices	Financial state-ments and audit	Other	Total
		TEUR	TEUR	TEUR	TEUR
1 January 2021	**282**	**1,970**	**185**	**4**	**2,441**
Additions from changes in the consolidated group	0	0	0	0	0
Utilisation	204	1,964	179	1	2,348
Reversal	0	38	6	0	44
Addition	269	546	98	0	913
Disposals from the sale of companies	0	94	2	0	96
31 December 2021	**347**	**420**	**96**	**3**	**866**

Other provisions essentially include provisions for storage.

8.18 Trade payables

Trade payables developed as follows:

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Trade payables	**1,202**	**1,188**

8.19 Advance payments received

Advance payments received developed as follows:

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Advance payments received	**678**	**131**

8.20 Other liabilities

As at the end of the reporting period, other liabilities were as follows:

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Liabilities to related parties	332	1,171
Liabilities from loans to related parties	203	0
Liabilities to associates	12	3,232
Liabilities from loans to associates	3,473	0
Retention of collateral	26	107
Value-added tax	140	55
Land transfer tax	146	741
Miscellaneous liabilities	174	92
Other liabilities	**4,506**	**5,398**

Miscellaneous other liabilities include wage taxes.

8.21 Current income tax liabilities

Current income tax liabilities of EUR 3,599 thousand (previous year: EUR 5,513 thousand) include liabilities from corporation tax of EUR 1,845 thousand (previous year: EUR 3,112 thousand) and liabilities from trade tax of EUR 1,754 thousand (previous year: EUR 2,401 thousand).

8.22 Deferred tax

The change in deferred taxes is as follows:

	2021	2020
	TEUR	TEUR
Deferred tax assets	2,011	598
Deferred tax liabilities	−2,602	−1,736
Net deferred taxes at the beginning of the financial year	**−591**	**−1,138**
Deferred tax liabilities from business combination pursuant to IFRS 3	−395	−1,838
Disposals from deconsolidation of companies	56	0
Expense(−)/income (+) in the income statement	−2,782	2,385
Net deferred taxes at the end of the financial year	**−3,712**	**−591**
Deferred tax assets	1,768	2,011
Deferred tax liabilities	−5,480	−2,602

The changes in deferred tax assets are as follows:

Cause	**Differences in inventories**	**Costs of raising equity**	**Tax loss carry-forwards**	**Total**
	TEUR	TEUR	TEUR	TEUR
As at 1 January 2021	**73**	**4**	**1,934**	**2,011**
Amounts recognised through profit or loss	106	0	−349	−243
As at 31 December 2021	**179**	**4**	**1,585**	**1,768**

Deferred tax assets from loss carryforwards are recognised at the amount at which realisation of the associated tax benefits through future taxable profits is probable. The deferred tax assets recognised from loss carryforwards relate to various subsidiaries. Based on its planning, the company assumes that it will be able to use the resulting loss carryforwards in the next five financial years. No deferred taxes were reported for certain trade tax losses carried forward of EUR 79 thousand (previous year: EUR 527 thousand) and certain corporation tax losses carried forward of EUR 87 thousand (previous year: EUR 453 thousand) as it is not sufficiently certain that these will be realized.

The changes in deferred tax liabilities are as follows:

Cause	**Differences in financial assets**	**Differences in financial liabilities and bonds**	**Differences in inventories**	**Differences in other receivables**	**Differences in investment property**	**Total**
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As at 1 January 2021	**−278**	**−187**	**−1,758**	**0**	**−379**	**−2,602**
Deferred tax liabilities from business combination pursuant to IFRS 3	0	0	−395	0	0	−395
Disposals from deconsolidation of companies	56	0	0	0	0	56
Amounts recognised through profit or loss	−459	−100	−182	−1,020	−778	−2,539
As at 31 December 2021	**−681**	**−287**	**−2,335**	**−1,020**	**−1,157**	**−5,480**

8.23 Sales

The Grounds Group's revenue, which relates exclusively to German companies, breaks down as follows:

	2021	2020
	TEUR	TEUR
Revenue from the sale of properties	29,266	29,311
Rental income	1,593	969
Income from operating costs passed on	0	207
Revenue from the sale of equity investments	0	459
Services	720	195
Other	9	122
Total	**31,588**	**31,263**

The rental income relates to net rent excluding utilities from The Grounds Group's operating leases within the meaning of IFRS 16. Income from operating costs passed on includes apportionable ancillary costs and does not include a margin. It is considered a separate non-lease component and covered by the scope of IFRS 15.

Revenue from contracts with customers in accordance with IFRS 15 breaks down as follows as regards the timing of revenue recognition:

	Property sales		Operating income		Disposals of investments		Services	
	2021	2020	2021	2020	2021	2020	2021	2020
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Services for a point in time	22,367	16,912	0	0	0	459	0	0
Services over a period of time	6,899	12,399	0	207	0	0	720	195
Total revenue from contracts with customers	**29,266**	**29,311**	**0**	**207**	**0**	**459**	**720**	**195**

8.24 Change in inventories

Changes in inventories in the 2021 financial year relate to the EUR 564 thousand inventory increase (previous year: inventory decrease) of work in progress (previous year: EUR 313 thousand).

8.25 Cost of materials

The cost of materials for The Grounds Group breaks down as follows:

	2021	2020
	TEUR	TEUR
Cost of sold properties and construction costs	18,909	23,928
Expenses for raw materials and consumables used	924	0
Purchased services	1,644	980
Total	**21,477**	**24,908**

8.26 Staff costs

Staff costs break down as follows:

	2021	2020
	TEUR	TEUR
Salaries, other benefits	1,810	939
Social security, pensions and other employment benefits	158	72
Total	**1,968**	**1,011**

Social security, pensions and other employment benefits include pension expenses of EUR 1 thousand (previous year: EUR 1 thousand).

Expenses of EUR 230 thousand were recognised in the "Salaries, other benefits" item for share-based remuneration paid to managers in the 2021 financial year. Please see section 10.2 Share-based remuneration for further information on calculating the fair value of these remuneration components. As expenses from the share-based remuneration are not tax deductible, no deferred income taxes were recognised here.

8.27 Other operating income

Other operating income includes the following amounts:

	2021	2020
	TEUR	TEUR
Revaluation of former shares	650	0
Reversal of provisions	44	46
Miscellaneous operating income	130	36
Total	**824**	**82**

8.28 Other operating expenses

Other operating expenses include the following amounts:

	2021	2020
	TEUR	TEUR
Costs for premises	210	138
Insurance, contributions and levies	48	62
Repairs and maintenance	82	34
Motor vehicle costs	40	13
Advertising and travel expenses	239	40
Legal and consultancy fees	260	237
Financial statements and audit costs	289	133
Non-deductible pre-tax	249	226
Third-party services	141	665
Commissions	300	0
Stock exchange costs	81	0
Supervisory Board remuneration	68	0
Losses on receivables	177	0
Miscellaneous operating expenses	312	288
Total	**2,496**	**1,836**

8.29 Financial result

Interest expense includes interest expenses from leases of EUR 28 thousand (previous year: EUR 7 thousand).

8.30 Income tax expense/income

The income tax expense/income recognised in the income statement comprises current and deferred taxes on income:

	2021	2020
	TEUR	TEUR
Current income tax expenses/income	809	−3,496
Deferred income tax expense/income	−2,782	2,385
Total	**−1,973**	**−1,111**

The tax expenses/income reported differ from the theoretical amount that results from using the average income tax rate of the company as the Group parent on earnings before tax:

Tax reconciliation	2021	2020
	TEUR	TEUR
Earnings before income taxes	7,046	5,119
Income taxes determined on the basis of the parent company's income tax rate	−2,126	−1,545
Effect of		
... tax-exempt income/non-deductible expenses	15	20
... non-recognition of deferred tax assets on loss carryforwards	−35	−34
... initial recognition of deferred tax assets on loss carryforwards	92	369
... consolidation entries through other comprehensive income	196	17
... other causes	−115	62
Income tax expenses/income	**−1,973**	**−1,111**

The tax reconciliation is based on a cumulative income tax rate for the parent company of 30.175%.

8.31 Earnings per share

Basic earnings per share are calculated as a ratio of the profit attributable to the parent company's shareholders and the weighted average number of shares issued during the financial year, excluding treasury shares held by the company.

	2021	2020
Profit attributable to the parent company's shareholders (TEUR)	5,097	3,599
Average number of shares issued	17,805,517	16,230,517
Basic earnings per share (EUR)	**0.29**	**0.22**

No dividends were paid for the preceding financial year in the 2021 financial year. No dividend payment is planned for the 2022 financial year either.

8.32 Statement of cash flows

The statement of cash flows differentiates between cash flows from operating, investment and financing activities.

Cash flows from (operating) activities are calculated using the indirect method. They came to EUR 6,999 thousand (previous year: EUR –24,027 thousand) and include income tax payments of EUR 379 thousand (previous year: EUR 600 thousand).

Liabilities from financing activities comprise the Group's current and non-current financial liabilities and bonds. They developed as follows in the reporting period:

	2021	2020
	TEUR	TEUR
Opening balance	**49,298**	**12,753**
Cash changes	12,939	34,331
Changes in consolidated group	–4,611	2,214
Closing balance	**57,626**	**49,298**

The liquidity recognised in cash funds includes bank balances and breaks down as follows:

	31 Dec. 2021	31 Dec. 2020
	TEUR	TEUR
Cash	2,385	623
Cash funds at the end of the period	**2,385**	**623**

8.33 Contingent liabilities and other financial obligations

In July 2018, The Grounds App 1 GmbH & Co. KG concluded a purchase agreement for a project development site in Bad Zwischenahn with a planned usable space of 30,628 m². The purchase price payment is linked to a decision on the interpretation of the development plan and being ready to submit a planning application. As at 31 December 2021, this results in an obligation of EUR 18,896 thousand. In 2021, rights of withdrawal were agreed for both parties in an addendum to the purchase agreement.

The Group’s contingent liabilities are presented in section 8.14 Financial liabilities.

8.34 Additional disclosures on financial instruments

a) Classes and measurement categories

The following tables show the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. They do not contain information on the fair value for financial assets and financial liabilities not measured at fair value when the carrying amount is a reasonable approximation of fair value.

Carrying amount					**Fair value**
31 Dec. 2021	**FVTPL* Equity instruments**	**Financial assets at amortised cost**	**Other financial liabilities**	**Total**	**Total**
	TEUR	TEUR	TEUR	TEUR	TEUR
Equity investments	152	0	0	152	152
Trade receivables	0	2,723	0	2,723	2,723
Other receivables and assets	0	14,146	0	14,146	14,146
Total financial assets	**152**	**16,869**	**0**	**17,021**	**17,021**
Financial liabilities	0	0	44,400	44,400	44,400
Bonds	0	0	13,226	13,226	13,226
Advance payments received	0	0	678	678	678
Trade payables	0	0	1,202	1,202	1,202
Other liabilities	0	0	4,505	4,505	4,505
Total financial liabilities	**0**	**0**	**64,011**	**64,011**	**64,011**

* Fair value through profit or loss

Carrying amount					Fair value
31 Dec. 2020	**FVTPL* Equity instruments**	**Financial assets at amortised cost**	**Other financial liabilities**	**Total**	**Total**
	TEUR	TEUR	TEUR	TEUR	TEUR
Equity investments	152	0	0	152	152
Trade receivables	0	136	0	136	136
Other receivables and assets	0	20,396	0	20,396	20,396
Total financial assets	**152**	**20,532**	**0**	**20,684**	**20,684**
Financial liabilities	0	0	49,298	49,298	49,298
Advance payments received	0	0	131	131	131
Trade payables	0	0	1,188	1,188	1,188
Other liabilities	0	0	5,398	5,398	5,398
Total financial liabilities	**0**	**56,015**	**56,015**	**56,015**	**56,015**

* Fair value through profit or loss

Regarding the equity investments disclosed, cost represents an appropriate estimate of fair value as conditions since the acquisition have not changed significantly.

Trade receivables and other receivables mostly have short remaining terms. Accordingly, their carrying amount as at the end of the reporting period is similar to their fair value. This also applies to advance payments received, trade payables and other liabilities.

Financial liabilities were initially recognised at fair value less transaction costs, which frequently was the same as cost.

As a result, the carrying amount of the financial liabilities as at the end of the reporting date is the amount that results in amortised cost using the effective interest method. Taking account of the speed at which the loans are repaid, fair value is similar to amortised cost in subsequent periods.

The accrual of transaction costs using the effective interest method reduced financial liabilities by EUR 783 thousand (previous year: EUR 621 thousand).

Net earnings from financial instruments broken down by measurement categories as per IFRS 9 were as follows for the period from 1 January to 31 December 2021 and the previous year:

	Financial assets at amortised cost		Other financial liabilities	
	2021	2020	2021	2020
	TEUR	TEUR	TEUR	TEUR
Interest income	148	115	0	0
Interest expenses	0	0	–2,272	–1,110
Net earnings	**148**	**115**	**–2,272**	**–1,110**

Interest income and interest expenses are recognised in the corresponding items of the consolidated statement of comprehensive income.

b) Financial risks

The Group is exposed to various risks as a result of its business activities, primarily liquidity risk, default risk and interest rate risk. Targeted financial risk management is designed to minimise the negative effects of these risks on the Group's financial position and performance and cash flows. Please see section 6 for a description of the risk management system.

Liquidity risk

The following tables include the contractually agreed undiscounted interest and principal payments for financial liabilities covered by the scope of IFRS 7:

31 December 2021	Carrying amount	Cash outflows in the next reporting period	Cash outflows in the subsequent reporting period	Later cash outflows
	TEUR	TEUR	TEUR	TEUR
Cash outflows for financial liabilities and bonds	**57,626**	**20,431**	**6,124**	**31,071**
Trade payables	1,202	1,202	0	0
Other liabilities	4,506	4,480	0	26
Cash outflows from trade and other payables	**5,708**	**5,682**	**0**	**26**
Cash outflows for liabilities within the scope of IFRS 7	**63,334**	**26,113**	**6,124**	**31,097**

31 December 2020	Carrying amount	Cash outflows in the next reporting period	Cash outflows in the subsequent reporting period	Later cash outflows
	TEUR	TEUR	TEUR	TEUR
Cash outflows for financial liabilities and bonds	**49,298**	**30,889**	**10,412**	**7,997**
Trade payables	1,188	1,188	0	0
Other liabilities	5,398	5,291	0	107
Cash outflows from trade and other payables	**6,586**	**6,479**	**0**	**107**
Cash outflows for liabilities within the scope of IFRS 7	**55,884**	**37,368**	**10,412**	**8,104**

In the case of interest-bearing loans with variable interest rates, interest payments in future reporting periods were calculated on the basis of interest rates at the end of the reporting period in question.

The Grounds Group has cash of EUR 2,385 thousand (previous year: EUR 623 thousand) to cover the liquidity risk.

Default risk

The maximum default risk of The Grounds Group is determined by the carrying amounts of its financial assets. Risks arise from granting subordinated loans, which present an opportunity to obtain a risk-adjusted, relatively high interest rate. Project-related lending also represents a risk concentration at the end of the reporting period.

Interest rate risk

Interest rate risk arises in connection with variable-rate credit facilities, potential follow-up financing or in the event of a significant change in conditions on the capital market. Variable-rate credit facilities at The Grounds Group relate exclusively to current financial liabilities and so can result in higher interest payments for the financial liabilities only to a limited extent.

A sensitivity analysis is conducted for the interest rate risk to assess the impact a change in interest rates would have on earnings at the end of the reporting period. This assumes that the financial instruments subject to an interest rate risk at the end of the reporting period are representative of the respective reporting period. In terms of outstanding financial liabilities as at 31 December 2021, a 0.5% higher/lower interest rate on loans would have resulted in a EUR 222 thousand increase/decrease in interest cost.

Taking account of these interest rate sensitivities, the interest rate risk is considered moderate given the minor impact on the carrying amount and earnings and the consistently favourable capital market conditions at present.

9 Events After the Reporting Period

In March 2022, the project development in Erkner was sold to an institutional investor for EUR 18.5 million as part of a forward sale. The project comprises a total of 34 semi-detached houses, with construction to begin in April 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.

10 Other Disclosures

10.1 Composition and remuneration of executive bodies

The following persons were members of the Management Board of The Grounds AG in the reporting period and until the time of preparing the consolidated financial statements:

- Arndt Krienen, Remscheid, lawyer
- Jacopo Mingazzini, Berlin, business graduate (Dipl.-Kfm.) and real estate economist

Total remuneration granted for the work of the Management Board in the reporting period came to EUR 879 thousand (previous year: EUR 573 thousand). EUR 649 thousand (previous year: EUR 516 thousand) of this related to short-term fixed and variable remuneration for current Management Board work and EUR 230 thousand (previous year: EUR 57 thousand) related to expenses from share-based remuneration granted in the reporting period. Provisions for bonuses of EUR 189 thousand were recognised as an expense in the financial statements. The bonus for the 2021 financial year and the share-based remuneration were not due for payment in the reporting year.

The following persons were members of the Supervisory Board of The Grounds AG in the reporting period and until the time of preparing the consolidated financial statements:

- Timo Tschammler, Berlin, business administration graduate and entrepreneur, Chairman (since 27 August 2021)
- Armin H. Hofmann, Frankfurt am Main, lawyer and entrepreneur, Vice Chairman
- Eric Mozanowski, Stuttgart, businessman, (Chairman until 27 August 2021)
- Hansjörg Plaggemars, Stuttgart, corporate consultant (until 27 August 2021)

Total remuneration granted for the work of the Supervisory Board in the reporting period came to EUR 69 thousand (previous year: EUR 73 thousand). This is exclusively short-term remuneration for current Supervisory Board work.

10.2 Share-based remuneration

In October 2020, The Grounds AG established a stock option programme for members of the Management Board and employees with a maximum of 1,750,000 stock options, 1,400,000 of which are allocated to the Management Board and 350,000 to employees. The option rights issued free of charge entitle the employees to acquire one no-par value share in the company per option at an exercise price of EUR 2.00 per share. At the discretion of the executive bodies, the share-based commitments can be fulfilled by way of a capital increase, treasury shares or cash settlement. This assumes that all options are to be fulfilled by physically delivering shares.

The stock option programme includes a four-year vesting period from the issue date, during which time the stock options cannot be exercised. In addition, issued stock options can lapse under certain circumstances if the beneficiary's employment relationship with The Grounds Group companies ends within a period of three years since the date of issue.

The number of stock options issued is at the discretion of the executive bodies and is not determined by the achievement of certain performance targets set out in the stock option plan. Conversely, the option rights granted can be exercised after the end of the vesting period only once a capital market performance target has been achieved. This requires the The Grounds share price in Xetra trading or a comparable successor system to have risen by at least 20% compared to the exercise price since the issue date. The mean of the price of a The Grounds share calculated in the closing auction in Xetra trading or a comparable successor system on the Frankfurt Stock Exchange on the ten trading days prior to the first day after the end of the vesting period is used to determine whether the exercise threshold has been met.

The share options issued developed as follows in the reporting period:

Number of options	Outstanding as at 1 January	Issued in the reporting year	Outstanding as at 31 December	Remaining term until can be vested (months)
2020 tranche	1,400,000	0	1,400,000	33
2021 tranche	0	200,000	200,000	36
Total	**1,400,000**	**200,000**	**1,600,000**	

All stock options issued in the reporting period were issued on the same day. The fair value of the stock options issued was calculated using the Black-Scholes model on the basis of the following material measurement parameters as at the issue date:

Option measurement parameters	2020 tranche	2021 tranche
Fair value on issue date (in EUR)	0.66	1.11
Share price on issue date (in EUR)	2.04	2.85
Exercise price (in EUR)	2.00	2.00
Exercise threshold (in EUR)	2.40	2.40
Expected volatility (in %)	49.35	32.30
Expected term (in years)	4	4
Expected dividend (in EUR)	0.00	0.00
Risk-free interest rate (in %)	−0.045	−0.174

Expected volatility on the issue date for the stock options was estimated on the basis of past volatility. The risk-free interest rate was based on the return on a long-term German government bond, derived from the average figure calculated for a three-month reference period on the issue date.

For information on the expenses incurred in the reporting period in connection with this share-based remuneration, please see section 8.26 Staff costs. Please see section 6 of the Group management report for details on the remuneration report.

10.3 Related party transactions

Related parties include all subsidiaries and associates of The Grounds AG listed in section 4.4.1. Other related parties are the members of the Management Board and the Supervisory Board, who are to be considered key management personnel, and their close relatives. Related parties also include companies that can be significantly influenced by members of the Management Board or Supervisory Board or their close relatives and companies in which they hold a significant voting interest.

In addition to the activities listed in section 10.1 regarding work as a board member, there were also the following related party transactions:

	Value of the transactions		Outstanding balances as at 31 December	
	2021	2020	2021	2020
	TEUR	TEUR	TEUR	TEUR
From services and other services exchanged – receivables				
Key management personnel	0	4	0	0
Other related parties	300	0	376	193
from associates	120	195	15	0
From services and other services exchanged – liabilities				
Other related parties	434	451	364	1,171
From financing arrangements – liabilities				
Key management personnel	52	2	0	0
Other related parties	181	243	543	3,773
from associates	87	81	3,473	3,232
From financing arrangements – receivables				
Other related parties	36	13	223	1,316
from associates	37	0	7,214	431

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

10.4 Average number of employees

Companies included in the consolidated financial statements had an average of 13 (previous year: 9) employees in the reporting period.

10.5 Auditor's fees

The total fee charged by the auditor (excluding VAT) for services provided to The Grounds AG and the companies included in the consolidated financial statements for the reporting period was EUR 25 thousand. They break down as follows:

	2021	2020
Type of service	TEUR	TEUR
Audits of financial statements	25	25
Other assurance services	0	0
Tax advisory services	0	0
Other services	0	0
Total	**25**	**25**

Berlin, 12 April 2022

Management Board of The Grounds Real Estate Development AG

Arndt Krienen Jacopo Mingazzini

INDEPENDENT AUDITOR'S REPORT

To The Grounds Real Estate Development AG, Berlin

Audit opinions

We audited the consolidated financial statements of The Grounds Real Estate Development AG, Berlin, and its subsidiaries (the Group), comprising the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2021 and the notes to the consolidated financial statements, including the section on accounting policies. We also audited the Group management report of The Grounds Real Estate Development AG, Berlin, for the financial year from 1 January to 31 December 2021. In accordance with German statutory provisions, we did not audit the content of the elements of the Group management report set out in the notes. In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315 e (1) of the Handelsgesetzbuch (HGB – German Commercial Code) and, in accordance with the German principles of proper accounting, give a true and fair view of the asset and financial situation of the Group as at 31 December 2021 and its earning situation for the financial year from 1 January to 31 December 2021, and
- the attached Group management report as a whole presents an accurate view of the Group's position. The Group management report is consistent with the consolidated financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development. Our audit opinion on the Group management report does not extend to the content of the elements of the Group management report set out in the notes. Pursuant to Section 322 (3) Sentence 1 HGB, we state that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the Group management report.

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these regulations and standards is described in further detail in the “Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Group Management Report” section of our auditor’s report. We are independent of the consolidated companies in compliance with the provisions of German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the Group management report.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for preparing the consolidated financial statements, which in all material respects comply with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB, and for the consolidated financial statements giving a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls that they have deemed necessary in accordance with the German principles of proper accounting to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group’s status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, provided no actual or legal circumstances conflict therewith.

Moreover, the legal representatives are responsible for preparing the Group management report, which as a whole provides an accurate view of the Group's position and is consistent with the consolidated financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a Group management report in compliance with applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the Group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Responsibility of the auditor for the audit of the consolidated financial statements and the Group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an accurate view of the Group's position and is in all material respects consistent with the consolidated financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the consolidated financial statements and Group management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the consolidated financial statements and the Group management report, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls.
- we gain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of the arrangements and measures relevant for the audit of the Group management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of the company's systems.
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the Group's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the consolidated financial statements and in the Group management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the Group is no longer a going concern.
- we evaluate the overall presentation, the structure and the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events such that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315a (1) HGB.

- we obtain sufficient appropriate audit evidence for the company’s accounting information or business activities within the Group in order to provide audit opinions regarding the consolidated financial statements and the Group management report. We are responsible for directing, monitoring and implementing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- we evaluate the consistency of the Group management report with the consolidated financial statements, its legality and the view it gives of the position of the Group.
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the Group management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives’ forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

Berlin, 12 April 2022

Buschmann & Bretzel GmbH
Wirtschaftsprüfungsgesellschaft

Dipl.-Bw. (BA) Volker Bretzel
Wirtschaftsprüfer
[German Public Auditor]

FINANCIAL CALENDAR

2022

2 June	Quirin Champions Conference 2022
21 June	Annual General Meeting, Berlin
September	Publication of half-year report 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 annual 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.

CREDITS

Published by

The Grounds Real Estate Development AG
Charlottenstr. 79–80
10117 Berlin, Germany

Management Board

Arndt Krienen, Jacopo Mingazzini

Chairman of the Supervisory Board

Timo Tschammler

Contact

Phone: +49 (0) 30 2021 6866
Telefax: +49 (0) 30 2021 6849
E-Mail: info@tgd.ag
www.thegroundsag.com

Layout Design:
racken GmbH, Berlin
www.racken.de

Editing, Layout:
Goldmund Kommunikation, Berlin
www.goldmund-kommunikation.de

Photos:
The Grounds Real Estate Development AG
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