THE GROUNDS
REAL ESTATE DEVELOPMENT AG

ANNUAL REPORT | 2023

THE GROUNDS
REAL ESTATE DEVELOPMENT AG

ANNUAL REPORT
for the financial year
1 January to 31 December
2023

This annual report was published on 29 April 2024 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/de/investor-relations/finanzberichte-und-praesentationen/geschaeftsberichte
www.thegroundsag.com/en/investor-relation/financial-reports-and-presentations/annual-reports

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. 2023**	**31 Dec. 2022**
Sales revenues	TEUR	23,896	36,751
… of which sales	TEUR	21,908	34,600
… of which rental income	TEUR	1,972	1,885
Earnings before interest and taxes (EBIT)	TEUR	–4,794	3,359
Consolidated profits	TEUR	–7,586	1,186
Earnings per share	EUR	–0.39	0.07
Total assets	TEUR	147,816	138,279
Equity	TEUR	24,833	32,569
Equity ratio	%	16.8%	23.6%
Financial liabilities & bonds	TEUR	99,947	80,104
Loan to value (LTV)	%	75%	67%
Cash flow from operating activities	TEUR	–14,907	–12,453
Cash flow from investing activities	TEUR	405	–4,421
Cash flow from financing activities	TEUR	15,257	16,732
Employees		14	15

Portfolio key figures		**31 Dec. 2023**	**31 Dec. 2022**
Portfolio properties (Fixed assets)			
Living/usable space	m²	26,511	27,319
Units		421	434
Rental income p.a.	TEUR	1,729	1,667
Portfolio development (Current assets)			
Living/usable space	m²	2,304	3,024
Units		20	26
Rental income p.a.	TEUR	156	208
Land development			
Planned living/usable space	m²	175,045	180,145
Planned living/usable space in joint venture projects	m²	10,322	10,322

Overview of The Grounds shares (Xetra prices)		2023	2022
Market capitalisation (as at 31 Dec.)	TEUR	14,779	34,542
Share capital (as at 31 Dec.)	TEUR	17,806	17,806
Closing price	EUR	0.83	1.94
Share price low	EUR	0.68	1.88
Share price high	EUR	1.94	2.60
ISIN			DE000A2GSVV5
Segment			Primary market, Düsseldorf Stock Exchange

LETTER TO THE SHAREHOLDERS

Dear Shareholders,
Dear Ladies and Gentlemen,

2023 posed particular challenges for the whole of the property sector in Germany. These included the significant increase in interest rates and the consistently high level of prices in construction, which rapidly outpaced the consumer price index at times. In addition, there was considerable uncertainty among many market players due to developments in the political arena, such as the debate over the German Heating Act that went on for several months and political decisions regarding subsidy programmes for residential construction. The effects of these developments were dramatic: Transaction volumes declined massively in virtually all segments of the property market, as did the number of building permits. Following a phase lasting several years in which prices rose almost constantly, the price level fell significantly as well. In turn, declining market values led to significant write-downs on the balance sheets of a large number of property companies. These trends were bucked in several segments, as rents continued to rise for residential properties in major cities and urban areas in particular.

There have thus been stabilising trends over the past four months since September 2023, when the European Central Bank (ECB) halted further interest rate hikes and the Heating Act was approved in Germany, providing clarification as to the regulatory standards on this front at least. The housing summit provided various incentives to revitalise the sector, even if the effects so far have been barely noticeable. Parallel to this, inflation has slowed significantly, though it is still above the ECB's target range.

Accordingly, there were initial signs of stabilisation towards the end of the year, which appear to have been confirmed in the first few months of 2024. Interest rates are stable or are even declining slightly. Price for properties are rising again, at least slightly, in most regions. Overall, the market is increasingly coming to feel that the situation will not deteriorate further in 2024, though a swift and far-reaching recovery is also considered unlikely. This is consistent with the general economic assessment by leading research institutes, which have lowered their growth forecasts for 2024 and do not anticipate stronger growth momentum in Germany again until 2025.

JACOPO MINGAZZINI

Management Board

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

Until March 2020 he was Managing Director of Accentro GmbH, which he founded in 1999 – since 2011 he also was CEO 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.

The past year, which was hit by a string of bad news, has also left its mark on The Grounds, as a result of which it was unable to achieve its original goals for 2023. Revenue was down year-on-year and the financial year ended with a negative result. Nevertheless, we enjoyed some success in the sale of condominiums. The condominiums in Meppen have now all been sold, the purchase agreement for the last available apartment of our new construction and densification project in Margaretenstraße in Berlin-Lichtenberg was notarised shortly before the editorial deadline for this annual report, and more purchases have been agreed in Dallgow-Döberitz as well. Meanwhile, however, there were also delays at other locations. For example, while we consider the sales negotiations for our Central Offices project in Magdeburg to be promising, they have not yet led to the signing of a contract. And in

Hangelsberg, our debtor warrant has been postponed once again and is still pending. The mutually agreed cancellation, at the buyer's request, of the purchase agreement for the project development in Erkner caused an unexpected drop in revenue and necessitated a reassessment of the project under current market conditions. While The Grounds did not suffer any financial losses as the share of the purchase price already received does not have to be repaid, the project nevertheless faced further delays as the new circumstances meant that financing was necessary and the marketing process had to begin again.

In view of these challenges in our operations, it is all the more gratifying that we were able to secure a new investor in the form of H.I.G. Realty, a UK subsidiary of H.I.G. Capital LLC. This investor first provided The Grounds with short-term bridge financing, in addition to an option to assume the majority in the company through a capital increase. Regarding a potential capital increase in 2024, the existing main shareholders have already pledged to transfer their pre-emption rights to the new investor. In addition, bondholders of our convertible bond have agreed to convert it into a bond with a fixed interest rate while also extending its term and thereby cancelling their option to subscribe to new shares.

For the 2024 financial year, we are anticipating a moderate recovery in the property sector and are focusing on selling other project developments, which we are already in promising talks for. Furthermore, we are on the verge of kick-starting sales of condominiums in the first properties from our portfolio in the Berlin area portfolio. We are anticipating we will see the first positive results from individual sales of properties previously held in the portfolio in 2024.

We would like to thank you for the trust you have placed in us and for your continued support in these challenging times. The Management Board also wishes to thank all the employees of the company for their strong personal commitment and ceaseless dedication to The Grounds.

Yours sincerely,

The Management Board
Jacopo Mingazzini

Berlin, April 2024

REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

2023 was overshadowed by crisis-related developments which triggered a small recession in Germany. The real estate sector, which is highly sensitive to interest rates, was especially affected. Except for the rental business, all business sectors posted a clear decline. Project developers in particular ran into economic and financial difficulties, which resulted in numerous insolvencies in the sector, including some well-known names. The Grounds performed well in this environment, especially as it won over UK investment company H.I.G. Capital as a strategic investor. In the first step, it provided bridge financing of EUR 10 million in October 2023. H.I.G. has also secured the option to conduct a capital increase by transferring the subscription rights of the current main shareholders.

In the joint discussions with the Management Board a great deal of attention was therefore devoted to this issue, which has a bearing on the Group's financial and liquidity position and is important for The Grounds' further development. As in previous years, the Supervisory Board also dealt with all other important issues in 2023, such as the current status of projects, the respective target/actual comparison with regard to budget, schedules and marketing status and, of course, a detailed examination of developments on the German property market due to the crisis affecting the sector. Overall, the Supervisory Board's workload increased further in 2023, resulting in an increased number of meetings, among other things.

In the reporting year, The Grounds Real Estate Development AG again performed all duties incumbent upon it under the law, the Articles of Association and its rules of procedure with due care. The Supervisory Board advised the Management Board and monitored its management of The Grounds AG and The Grounds Group. It satisfied itself that the Management Board's work was legal, appropriate and correct at all times. The Management Board and Chief Financial Officer kept the Supervisory Board fully informed at all times during the calendar year. This relates to information in regular meetings as well as information communicated verbally outside of meetings. In 2023, the Management Board provided information to all companies within the Group on business development, strategy and planning, especially financial and liquidity planning. This also included information on the risk situation and risk development in the individual projects in 2023. The Management Board and the members of the Supervisory Board engaged in a regular exchange of information and opinions on key topics and upcoming decisions. The Supervisory Board was directly involved in all decisions of fundamental importance to the company and the Group. The Supervisory Board approved individual transactions to the extent required by the law, the Articles of Association and its rules of procedure.

Composition of the Management Board and the Supervisory Board

In the reporting year, there were changes in the composition of the Management Board as well as the Supervisory Board of The Grounds. Jacopo Mingazzini has been the sole member of the Management Board since 1 May 2023. Arndt Krienen, who had also been a member of the Management Board until that point, had asked the Supervisory Board to end his activities prematurely for personal reasons.

There were also changes to the Supervisory Board. Dr Peter Maser, Armin Hofmann and Eric Mozanowski were appointed to the Supervisory Board of The Grounds AG at the Annual General Meeting on 4 July 2023. At the constituent meeting held on the same day, the Supervisory Board elected Dr Peter Maser as Chairman of the Board and Armin H. Hofmann as his Vice Chairman. Timo Tschammler, former Chairman of the Supervisory Board, stepped down from the Board. On 13 December 2023, Thomas Bergander was appointed by the court as a member of the Supervisory Board and elected by the Supervisory Board as its Vice Chairman, succeeding Armin H. Hofmann, who stepped down from the Board at his own request for personal reasons.

Work of the Supervisory Board in the reporting year

The Supervisory Board held seven regular meetings in the reporting year, on 24 April, 7 June, 4 July, 4 and 12 September, 17 November and 12 December 2023. All meetings were attended by all members of the Supervisory Board. The majority of the meetings were held in person with the presence of the Management Board. The meeting to approve the financial statements for the 2022 financial year on 24 April 2023 was also attended by representatives of the auditor, Buschmann & Bretzel GmbH Wirtschaftsprüfungsgesellschaft, Berlin, as guests.

The Supervisory Board adopted four resolutions by circular resolution relating to the appointment of managing directors, financing and the cancellation of the Erkner purchase agreement. Besides the aforementioned reports and topics, at its meetings the Supervisory Board also dealt with the extension of the convertible bond, liquidity planning, the forecast for 2024 and the preparation and follow-up of the 2023 Annual General Meeting.

Annual and consolidated financial statements as at 31 December 2023

The Annual General Meeting on 4 July 2023 elected Buschmann & Bretzel GmbH Wirtschaftsprüfungsgesellschaft, Berlin (hereinafter "Buschmann & Bretzel"), as the auditor of the annual and consolidated financial statements for the 2023 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.

The aforementioned documents relating to the financial statements and the auditor's audit reports were discussed at the meeting to approve the financial statements on 26 April 2024 in the presence of representatives of the auditor. The necessary documents were distributed to all members of the Supervisory Board in good time before this meeting. The auditor reported on the scope, procedure and material findings of its audit and was available for questions and further information. In particular, the auditor discussed the focal points of the audit agreed in advance. The auditor also reported that it found no material weaknesses in the accounting-related internal control and risk management system, meaning that the Management Board satisfied all of the tasks incumbent on it in an appropriate form.

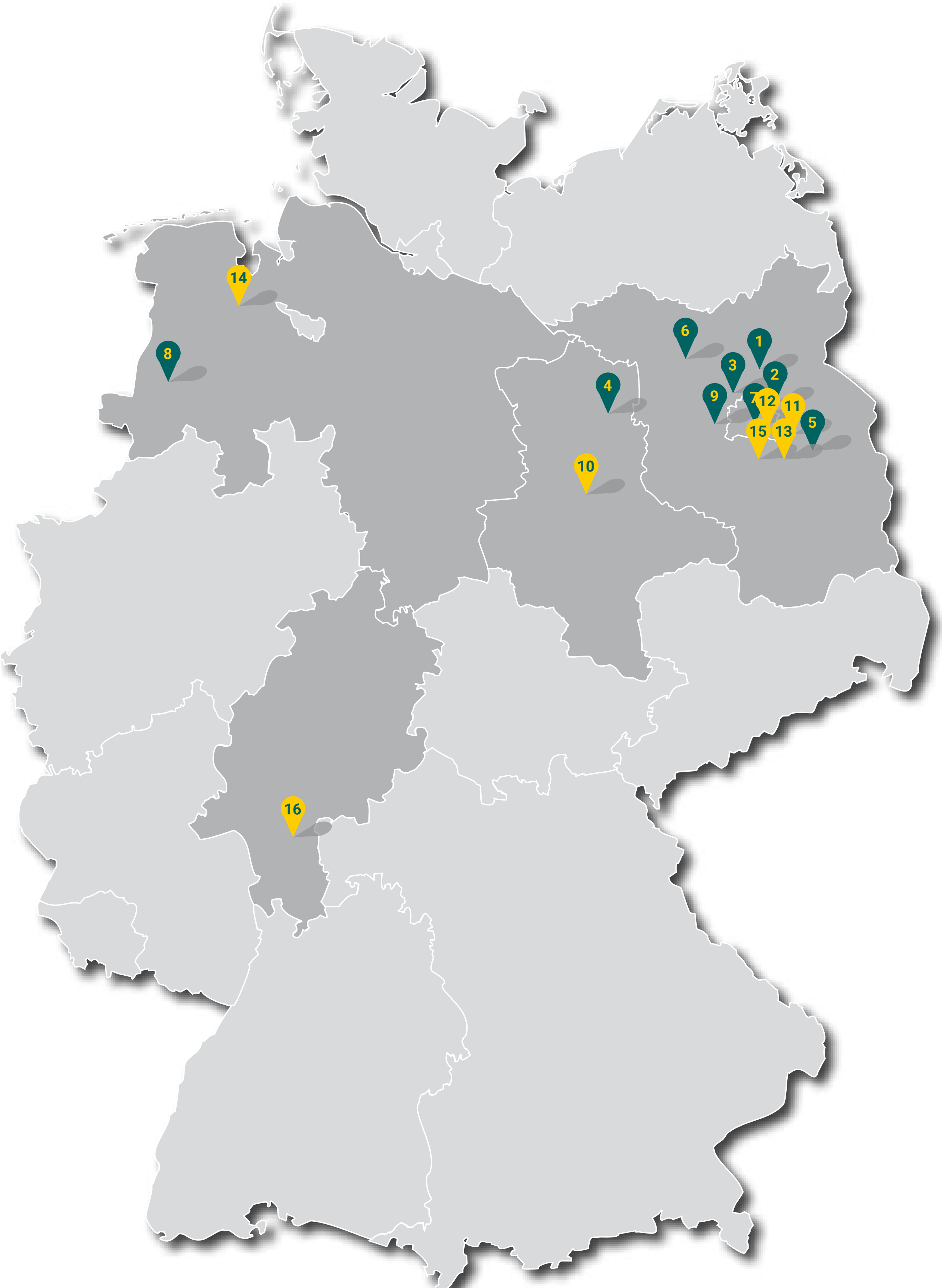
Based on its own review of all documents relating to the financial statements for the 2023 financial year, the Supervisory Board did not raise any objections and endorsed the auditor's audit findings. On 26 April 2024, the Supervisory Board approved the annual financial statements and consolidated financial statements of The Grounds for the 2023 financial year as prepared by the Management Board. The annual financial statements for 2023 are thus adopted in accordance with Section 172 of the Aktiengesetz (German Stock Corporation Act – AktG).

Another item on the agenda on 26 April 2024 was this report by the Supervisory Board.

The Supervisory Board would like to thank the Management Board and all The Grounds Group employees for their dedication and their successful work in the past financial year.

Berlin, 26 April 2024

Dr Peter Maser
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 Fehrbellin
Fixed assets

7 Berlin
Fixed assets

8 Meppen
Portfolio development

9 Dallgow-Döberitz
Portfolio development

10 Magdeburg
Land development

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

11 Erkner
Land development

12 Berlin
Land development

13 Königs Wusterhausen
Land development

14 Bad Zwischenahn
Land development

15 Blankenfelde-Mahlow
Land development
(Joint Venture)

16 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: 4,118 m²

Kremmen

3

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

Stendal/Prignitz

4

- Multiple locations
- 227 residential and commercial units
- Usable space: 14,751 m²

Rauen near Fürstenwalde
- 27 residential units
- Usable space: 1,554 m²

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

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

Portfolio development

Condominiums and terraced houses for investors and owner occupiers

Meppen

8

- 7 residential units*
- Usable space: 463 m²*
- Sold

Dallgow-Döberitz

9

- 13 residential units*
- Usable space: 1,841 m²*
- In the sales process

* Space and unit data relates to units with transfer of ownership outstanding as at 31 December 2023.

Land development

Our land development projects

Property Garden in Magdeburg

10

- 64 units
- Usable space: 3,637 m²
- Under construction
- Sold

LennéQuartier in Magdeburg

10

- 181 units
- Usable space: 5,100 m²
- Completed
- Sold

Central Offices in Magdeburg

10

- Office space
- Gross floor space: 17,140 m²
- Building permit obtained
- In the sales process

Terra Homes in Erkner

11

- 34 homes
- Usable space: 4,279 m²
- Under construction
- Sold

Land development (Continued from page 21)

Our land development projects

Maggie in Berlin-Lichtenberg

12

- 27 units
- Usable space: 1,859 m²
- Under construction
- In the sales process

Betty in Königs Wusterhausen

13

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

Elements* in Bad Zwischenahn

14

- 255 units
- Gross floor space: 41,534 m²
- In planning
- Sales launch: still pending

*Notarised; transfer of economic ownership still outstanding (see 8.34 in the notes to the consolidated financial statements)

Joint ventures

Joint development of land

Börde Bogen in Magdeburg

10

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

Highfly in Blankenfelde-Mahlow

15

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

Terminal 3* in Neu-Isenburg

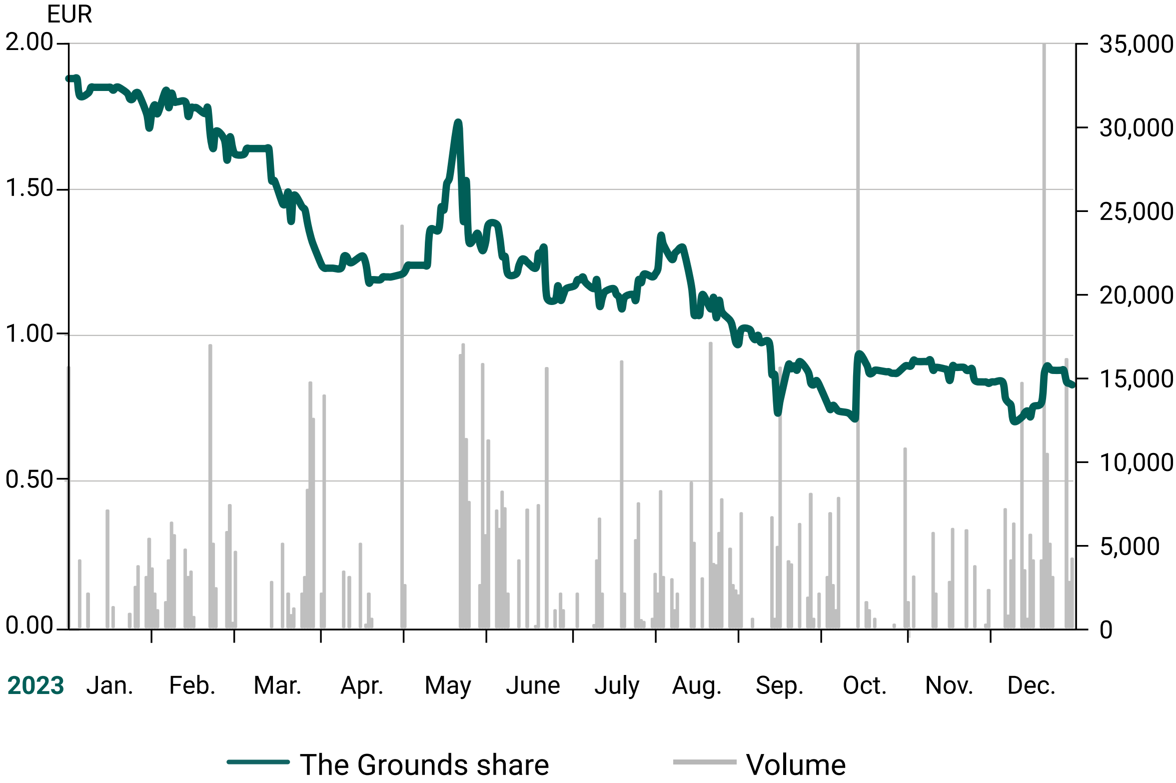
16

- Hotel
- Gross floor space: 10,322 m²
- Building permit obtained
- In the sales process

*Shares sold to joint venture partner in 2024

THE GROUNDS ON THE CAPITAL MARKET

Development of The Grounds Share from 1 January to 31 December 2023 (Xetra prices)



2023 was a good year for German stock markets, although there was marked volatility in all major indices during the year.

For instance, the DAX, which comprises the 40 largest companies in Germany, rose by around 10% in the first quarter, but had lost more than half of that by the end of the third. At the end of the year, the leading German index closed at a record level (at the time) of 16,700, corresponding to year-on-year growth of around 18.5%.

The MDAX, which includes the 50 companies ranking below the DAX stocks in terms of market capitalisation and stock market turnover, did not perform so well. Prices moved largely in parallel with the DAX, before tumbling in September/October to well below their levels at the start of the year. This was then followed by hefty price increases in the last two months of the year, ultimately helping the MDAX to advance by around 6% over the course of 2023.

Demand for property shares was low, particularly in the first few months of the year. The DIMAX, which comprises the major property companies in Germany and is therefore a more important guide for all property companies than all the other indices in the DAX family, shed more than 20% of its value in the first quarter. Falling values and persistent uncertainty on interest rates are probably the main reasons for this. But as the environment, which dictates property values, slowly brightened over the course of the year, losses were made good, so that the index had closed slightly higher – around 4% – by the end of the year.

Although this trend was positive overall, it masks the big difference in the share price performance of the various companies in the index. Notably, smaller companies with comparatively low market capitalisation and comparatively low stock market turnover failed to keep pace with the index performance. This was also true of The Grounds. Starting the year at EUR 1.88, the share initially lost a big chunk of its value before recovering again in May but then resuming its downward slide. By the end of the year, the share was trading at just EUR 0.83, fractionally less than half its value at the beginning of the year.

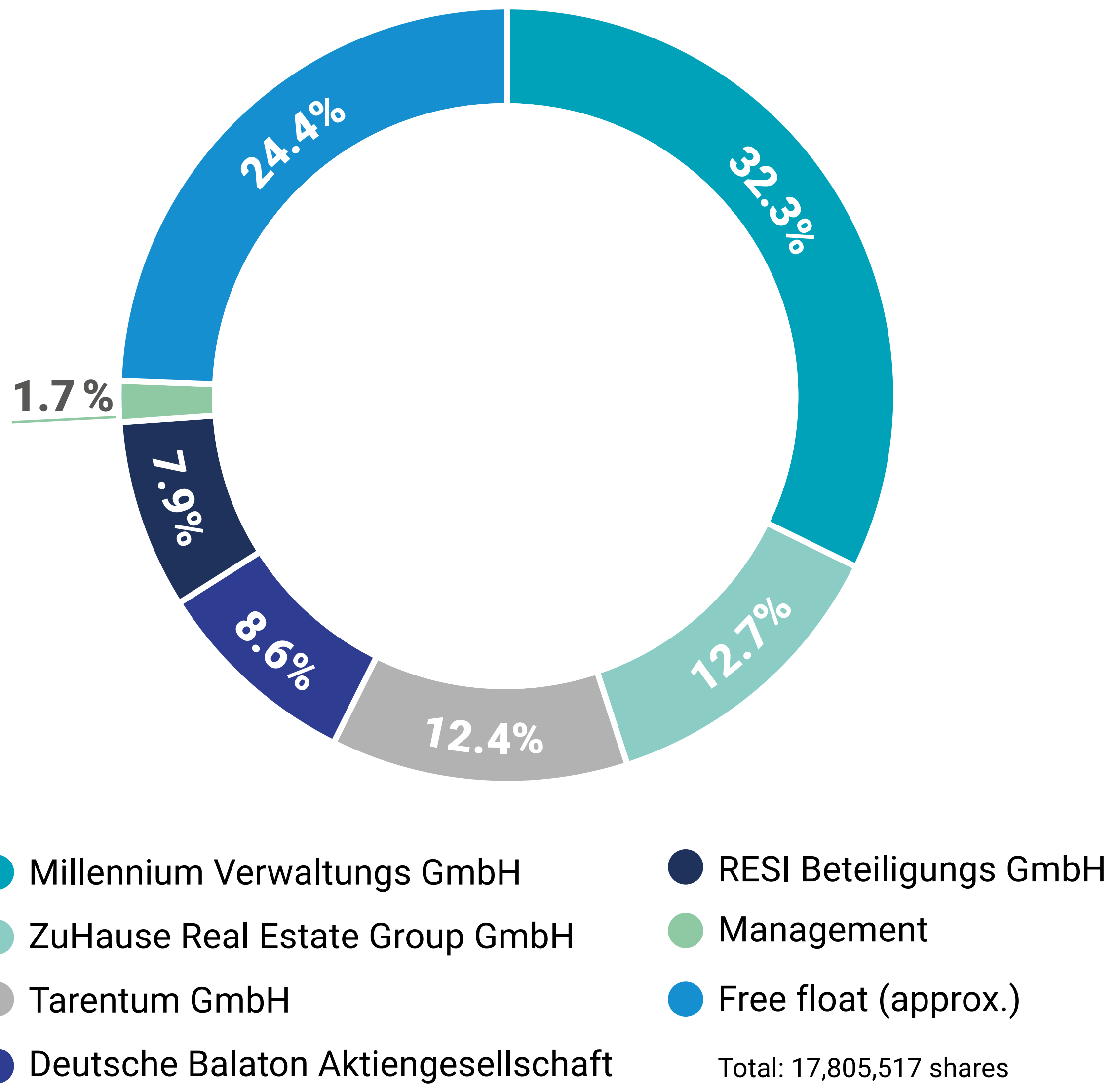
The Grounds Share at a Glance

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 2.60 “Buy” (17 October 2023)	Quirin Privatbank E. R. Price target: EUR 1.37 “Hold” (14 July 2023)
	2023	**2022**
Share price at the end of the financial year*	EUR 0.83	EUR 1.94
Percentage change in year	−57.2%	−14.9%
Market capitalisation as at 31 December	EUR 14,778,579	EUR 34,542,703
Annual high*	EUR 1.94	EUR 2.60
Annual low*	EUR 0.68	EUR 1.88

* Prices on Xetra trading system of Deutsche Börse AG

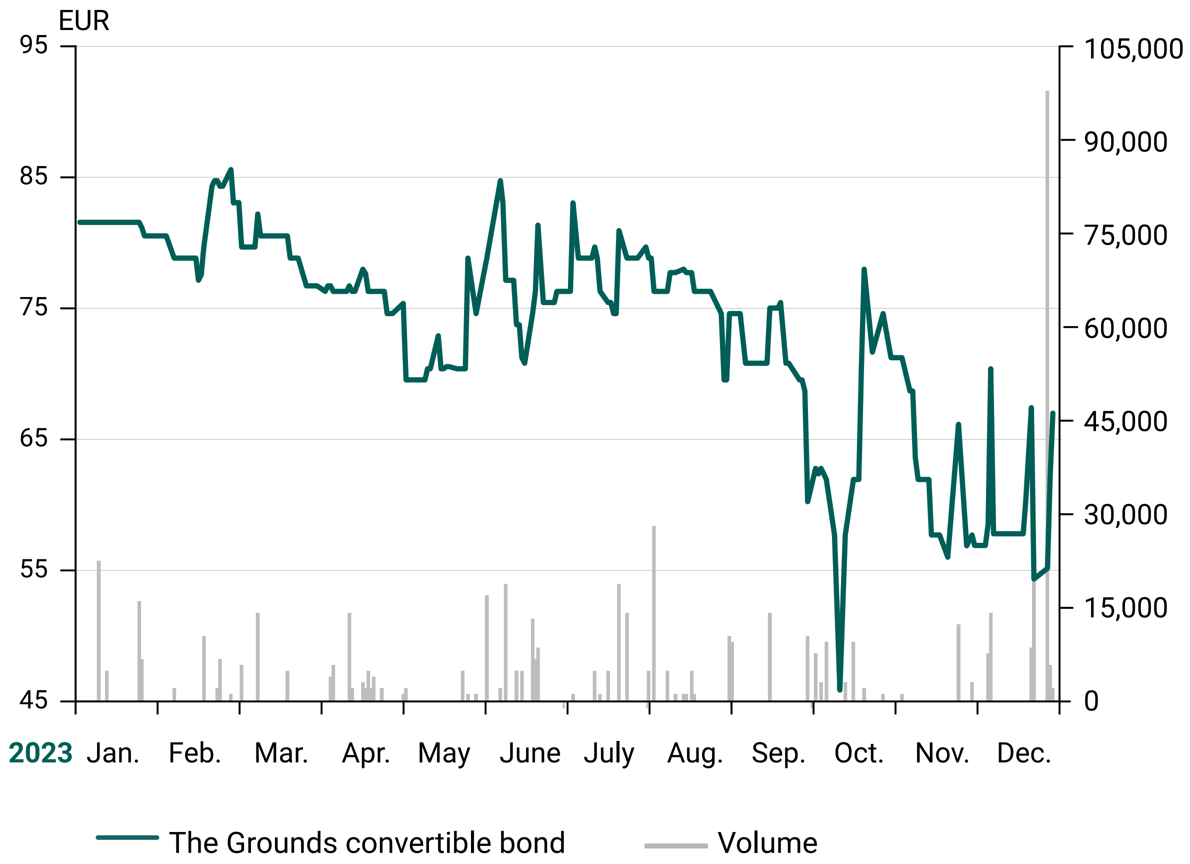
Even though part of this decline can be explained by the fact that the shares of smaller companies usually experience greater volatility, developments within the company were also a factor. Declining revenue, new financing requirements and the prospects of a capital increase in 2024, which will dilute the shares of existing shareholders, were all factors that stood in the way of speculative share price increases.

Shareholder structure (as at December 2023)



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

Development of The Grounds convertible bond from 1 January 2022 to 31 December 2023 (Frankfurt prices)



The same applied to The Grounds' convertible bond in 2023. Exchanging hands at 88% of its nominal value at the start of 2023, the bond was at only 71% at the end of the year, a loss of around 20%. Just how constricted the market for the convertible bond was was made clear by strong fluctuations in the price, even from small transaction volumes. Of course, the steady decline in the price was partly accounted for by the fact that the prospects for conversion were replaced by the necessity to extend the convertible bond and convert it into a fixed-rate corporate bond. Bondholders then passed a resolution to effect this in mid-December 2023 and this was implemented in February 2024.

GROUP MANAGEMENT REPORT 2023

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 are in three core areas:

- establishing its own property portfolio to be held for the long term for the purpose of generating rental income (portfolio management business),
- developing existing properties with the aim of selling them as part-ownership (privatisation business) and
- developing and constructing new housing with the aim of selling to institutional investors, capital investors and owner occupiers (project development).

1.2 Group structure and management system

The Grounds Real Estate Development AG operates as a management holding company with central areas, including legal, accounting, taxes, controlling, staff, sales, financing, risk management, transaction management and commercial and technical asset management.

The Group is structurally divided into other subgroups and property companies, each of which own property portfolios and are included in the consolidated financial statements. (Full overview of the individual Group companies and investees in the notes to the consolidated financial statements)

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.

Segment reporting is not envisaged in view of the company's small size.

Consolidated earnings before interest and taxes (EBIT), which includes both the profit from the sale of properties and the profit from the management of the portfolio, is a key financial performance indicator used to manage the company

Non-financial performance indicators also play a role in the management system. With respect to the management of the existing portfolio, these are factors such as changes in rents and vacancy rates. When it comes to retail sales, reservations and the viewing numbers are two of the leading indicators for company performance.

1.3 Business model

The Grounds carries out housing projects in German metropolitan regions and cities experiencing population growth and good economic prospects. As described at the start, the core business of The Grounds largely consists of several components. For example, The Grounds aims to generate sustainable, reliable income to increase the value of the existing portfolio. It also aims to achieve attractive sales income from the privatisation business and project development.

With the exception of certain specific situations, the Grounds' business model therefore combines the generally high returns from property development with a stable flow of income from managing its own portfolio. In the medium term, The Grounds is aiming for a stronger positioning on the capital market.

The following tables show the development projects, the existing portfolio and the inventory properties earmarked for individual sale as at the reporting date.

Land development

Project name	Location	Project	Usable space/ gross floor space	Type	Status
			m²		
LennéQuartier	Magdeburg	Residential	5,100	Development/ retail sale	Completed, sold[2]
Central Offices	Magdeburg	Commercial	17.140[1]	Development/ forward sale	Building permit obtained, in the sales process
Property Garden	Magdeburg	Residential	3,637	Development/ retail sale	Under construction, sold[3]
Börde Bogen	Magdeburg	Primarily residential	67,857[1]	Development	In planning
Terra Homes	Erkner	Residential	4,279	Development/ forward sale	Under construction, in the sales process
Highfly	Blankenfelde-Mahlow	Primarily residential	32,099[1]	Development	In planning
Maggie	Berlin-Lichtenberg	Residential	1,859	Development/ retail sale	Under construction, in the sales process[4]
Betty	Königs Wusterhausen	Residential	6,640	Development/ forward sale	In planning

[1] Gross floor space
[2] 100% of the properties had been sold by Q1 2021.
[3] 100% of the properties had been sold by Q2 2022.
[4] 96% of the properties had been sold by Q1 2024.

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. In 2021, rights of withdrawal that can be exercised after the building right comes into effect were agreed for both parties in an addendum to the purchase agreement.

Besides the joint venture projects in Magdeburg and Blankenfelde-Mahlow, The Grounds is also a joint venture partner in one land development project with planned gross floor space of 10,322 m². This is included in the consolidated financial statements using the equity method. The shares were sold to the joint venture partners in the 2024 financial year.

Fixed assets

Location	Project	Units	Usable space	Rental income p.a. (31 December 2023)
			m²	TEUR
Stendal and surrounding area	Residential	227	14,751	775
Schorfheide (Eberswalde)	Residential	38	2,066	144
Rauen (Fürstenwalde)	Residential	27	1,554	107
Bernau	Residential	59	4,118	397
Kremmen	Residential	24	1,430	119
Fehrbellin	Residential	24	1,503	82
Margaretenstr. (Berlin)	Residential	22	1,089	105
Total		**421**	**26,511**	**1,729**

Portfolio development

Location	Project	Units (31 Dec. 2023)	Usable space	Rental income p.a. (31 Dec. 2023)	Sale completion status*	Type
			m²	TEUR		
Meppen	Residential	7	463	27	100%	Retail sale
Dallgow-Döberitz	Residential	13	1,841	129	54%	Retail sale
Total		**20**	**2,304**	**156**		

* Notarised as at Q1-2024

1.4 Executive bodies and employees

Jacopo Mingazzini has been the sole member of the Management Board of The Grounds since 1 May 2023. Arndt Krienen, who had also been a member of the Management Board until that point, had asked the Supervisory Board to end his activities prematurely for personal reasons.

There were also changes to the Supervisory Board. Dr Peter Maser, Armin H. Hofmann and Eric Mozanowski were appointed to the Supervisory Board of The Grounds at the Annual General Meeting on 4 July 2023. At the constituent meeting held on the same day, the Supervisory Board elected Dr Peter Maser as Chairman of the Board and Armin H. Hofmann as his Vice Chairman. Timo Tschammler, former Chairman of the Supervisory Board, stepped down from the Board. On 13 December 2023, Thomas Bergander was appointed by the court as a member of the Supervisory Board and elected by the Supervisory Board as its Vice Chairman, succeeding Armin H. Hofmann, who stepped down from the Board at his own request for personal reasons.

Headcount at The Grounds fell again slightly in the reporting year. The Grounds Group employed a total of 14 people on average in the 2023 financial year (previous year: 15).

2 Economic Report

2.1 Economic and sector-specific conditions

The German economy lost much of its momentum in 2023. After adjusting for inflation and calendar effects, gross domestic product declined by 0.1% year on year. Production and private consumption were weak, with only a few service sectors posting moderate growth. Some stimulus came from investment activity. Because of the stagnation, real gross domestic product in Germany was only 0.7% higher in 2023 than in 2019, the last year before the coronavirus pandemic.

The employment market mirrored the overall recessionary situation with unemployment rising slightly to 5.7% at the end of 2023, 0.3 percentage points higher than in the previous year. But owing to an influx of immigrants from abroad, the total number of employed persons grew by 0.7% to 45.9 million – the highest figure ever recorded in Germany.

The war in Ukraine and the subsequent trade sanctions heavily disrupted global trade, particularly in the first half of the year, and resulted in sometimes massive price increases in various key product categories. As a result, prices rose by an annual average of 5.9% in 2023. In the second half of the year, inflation rates were, however, more moderate, so that the cost of living index had only risen by 3.7% by the end of the year. Energy price rises, originally the main driver of inflation and therefore a significant factor, flattened out over the course of the year. However, food, goods and services became considerably more expensive. Rents were a stabilising factor in the inflationary environment, with increases of (just) 2%. Rental prices for new leases, especially in urban areas, continued to soar, but this had little impact on the cost of living index, as it includes all existing rents in all parts of the country.

2.2 Sector development

With the exception of the rental sector, all areas of the real estate sector found themselves mired in a crisis, recession or retreat in 2023. This was true of building permits, the number of construction projects started, orders in the construction industry and transaction volumes on property markets. The main reasons: construction prices rose at double-digit rates because demand, stimulated by the low interest rate environment at the time, remained buoyant, while the supply of labour remained scarce and supply chains did not always function smoothly. At the same time, interest rates more than tripled in a short period in line with the European Central Bank's measures to combat inflation. With four hikes in 2022 and six in 2023, the European Central Bank raised the base rate from 0.5% to 4.5% in just two years. This made construction considerably more expensive or even impossible as banks also applied stricter criteria when granting loans. In consequence, many projects were interrupted, postponed or put on hold.

According to the Federal Statistical Office, a total of around 260,000 new building permits were issued in Germany in 2023. The Ifo Institute for Economic Research estimates around 245,000 rental flats were built (official statistics were not yet available when this report was being prepared). Both figures are far below the government's officially announced target of 400,000 new residential units per year.

But rents continued to climb, with the average figure of 2% masking regional differences and the difference between new and existing rents. Compared with current inflation, the increase is, however, modest, even if this has boosted the yield on rented properties. For a company like The Grounds, which derives part of its income from lettings, market conditions have been favourable.

Although the lettings market continued to show positive momentum in 2023, it was the opposite for the transactions market, where The Grounds is more active than in the former. The transactions market – for real estate in general and the residential sector in particular – went through an almost unprecedented decline of more than 50% in 2023. The drastic and rapid change in interest rates immediately impacted financing costs and also produced huge uncertainty in markets about what to expect in the future. This uncertainty only began to ease towards the end of the year when the European Central Bank indicated there would likely be no further interest rate hikes in 2024.

Owing to the changed interest rate environment and persistent uncertainty about future ECB interest rate policy, many market participants initially took a wait-and-see attitude and only slowly began reassessing property in light of the new financing conditions. Vendors were initially reluctant to bring their asking prices into line with the new interest rate environment, while potential buyers were confronted with significantly rising financing costs. All parties had to reassess their positions, but held back on transactions or new projects. Consequently, valuations and transaction prices fell during the reporting year.

Energy efficiency and sustainability are also playing an increasingly important role in the appraisal process. To achieve the EU's climate targets, which Germany has also committed itself to, many landlords and investors will have to invest considerable sums in the next few years in implementing energy efficiency measures. Asking prices of buildings with low energy efficiency have therefore already been slashed – another reason why many market players are holding back on investing for now.

The real estate sector found itself in a transition phase of sorts in 2023. But the actors in this sector were already in the process of adjusting to the new conditions. Portfolio holders had already made huge writedowns to the values of their investment properties, market prices had already posted steep falls and interest rates had stabilised. At the end of the 2023 financial year, clear signs were already emerging that prices for flats and owner-occupied homes were stabilising.

2.3 Legal landscape

Homeowners in Germany are subject to the Heating Act, which was passed on 8 August 2023 following heated political and public debate and came into effect on 1 November 2023. It stipulates that from 2024 new heating systems must operate on at least 65% renewable energy. This regulation already applies in new development areas. Longer transitional periods are provided for existing buildings and new buildings outside of new development areas. They might depend on municipal heating planning, such as whether district heating is available in a certain area or will be offered in the future. Oil and gas heating systems can still be installed, but must run on an increasing proportion of renewable energies. From 2045, fossil fuels may no longer be used for oil and gas heating systems. Conversion to environmentally friendly heating systems is being promoted with a range of subsidies and low-interest loans. Landlords are allowed to pass on up to 10% of conversion costs to their tenant. But the basic rent may not be raised more than 0.5 euros per square metre per month.

At a high-level meeting with the business community (housing summit) at the end of August 2023, the federal government unveiled a comprehensive package of measures to promote residential construction in Germany. This includes an initial 6% degressive depreciation on new buildings, the expansion of subsidy programs for climate-friendly construction and home ownership for families, measures to cut red tape and accelerate approval processes, and the subsidies to convert vacant commercial properties into residential properties These measures should help revitalise residential construction and improve housing supply. In March 2024, the last hurdle was cleared for the Growth Opportunities Act , and a compromise proposal for the degressive depreciation for new residential construction was adopted. Previously envisaged depreciation of 6% is now only allowed at a rate of 5%.

In its Budget Financing Act, the federal government opted in mid-December 2023 to raise the CO_2 levy on petrol, heating oil, and gas to EUR 45 per tonne, starting 1 January 2024. Up to that point, the levy was EUR 30 per tonne. This will increase the incentives for tenants to save on heating and reduce climate-harming CO_2 emissions. For landlords, the incentive to invest in energy efficiency measures is also increasing, as they must pay a share of the CO_2 levy and the valuations of energy-inefficient homes will fall as they become less competitive in the housing market.

3 Business Performance

Following strong growth in the previous year, the 2023 financial year was a year of consolidation. No purchases were made in 2023. Instead, at the request of the buyer of the Terra Homes project in Erkner, the original purchase agreement was cancelled, resulting in a reversal of the sales transaction, compensation payments and a reassessment of the project.

The company continued to sell condominiums in the Maggie property development in the financial year, so that by the end of the year, all units had been sold except for the last five flats. It also continued selling new-build apartments in 2024. All except one of the original 27 units has been sold.

In contrast to good levels of sales in new construction, sales of condominiums in the portfolio development slowed. During the financial year, the sale of all remaining flats from the project in Meppen was notarised, while only four more units were sold in the Dallgow-Döberitz project.

To drive the financing of investments in ongoing projects while securing a good positioning for the future, The Grounds reached an agreement in October 2023 with British firm H.I.G. Capital on bridge financing of EUR 10.0 million, based on the expectation that H.I.G. Capital will probably take part in a substantial capital increase in 2024. Towards the end of the year, the bondholders elected to convert the existing convertible bond into a bond with no conversion right with a corresponding extension of the term under modified covenants, which was executed in 2024. H.I.G. has also secured the option to conduct a capital increase by transferring the subscription rights of the current main shareholders.

3.1 Earnings

The most important sales revenues and earnings figures for The Grounds Group in the 2023 financial year were as follows:

	2023	2022
	EUR million	EUR million
Sales revenues	23.9	36.8
EBIT	–4.8	3.4
Consolidated profits	**–7.6**	**1.2**

In 2023 The Grounds generated sales revenues of EUR 23.9 million, far less than in the previous year (EUR 36.8 million). Much of this decline (EUR 4.9 million) was due to the cancellation of the contract concluded in 2022 to sell the Terra Homes project in Erkner in mid-December

2023 at the buyer's request. However, The Grounds' business performance was also hit by a drop in transactions on the market in the recessionary environment in which the entire property sector found itself. Both institutional and private buyers held back during a period of continuing uncertainty about the future growth of the economy as a whole and interest rates in particular. Therefore, not all sales in the area of property and portfolio development were realised to the originally planned extent, partly because some initially promising negotiations with the potential buyers could not be brought to a successful conclusion. In addition, there were particularly strong sales in the prior year to 2023.

Under The Grounds' business model, sales revenues are generated from three different sources: construction work on project developments, privatisation income and rental income from existing properties. Most of the revenue (EUR 19.1 million) was generated by the construction progress on the development projects, which is recognised using the percentage-of-completion method: these were Maggie in Berlin, the LennéQuartier, and the Property Garden in Magdeburg. The contribution from the Terra Homes terraced house project in Erkner was reversed and now only amounts to the difference between the cancelled revenue and the compensation paid.

Privatisation income accounted for EUR 2.3 million and was generated by further sales of owner-occupied apartments in Meppen and Dallgow-Döberitz.

Rental income came to EUR 2.0 million and picked up slightly compared with the previous year despite portfolio streamlining in the Stendal and surrounding area portfolio and ongoing sales from portfolio development. This was possible because higher rents were achieved for new lettings in the portfolio properties located in the Berlin region, resulting in an overall increase in the average rent per month and square metre. At the same time the vacancy rate in the Stendal portfolio fell to 10.1%.

The decline in revenue only had a partial impact on earnings, as the decrease in construction activity meant that the cost of materials only amounted to EUR 15.7 million in 2023, about EUR 10 million less than in the previous year. The cost of materials also included an impairment loss in inventories of EUR 3.3 million due to the cancellation of the Erkner purchase agreement, enabling a future resale with an average profit margin. Staff costs also fell by around EUR 0.3 million to EUR 1.8 million due to a reduction in headcount. However, the result was negatively impacted by writedowns to investment property totalling around EUR 1.3 million. In the previous year, increases in value of EUR 0.9 million boosted earnings.

A significantly higher charge (EUR 6.1 million in 2023 compared with EUR 1.9 million in the previous year) arose from other operating expenses. This was mainly due to expenses from the assumption of debt of EUR 3.5 million from a loan agreement in the project company HAT 3 Projektgesellschaft mbH, which is accounted for using the equity method.

This produced a total EBIT of minus EUR 4.8 million in 2023. The previous year closed with a positive EBIT of EUR 3.4 million.

The traditionally negative financial result was minus EUR 4.3 million in 2023. Compared with the previous year, the deficit was significantly higher for several reasons. The strong balance sheet growth in the previous year had led to a significant expansion in interest-bearing debt, which rose further in 2023 after EUR 10 million of financing with H.I.G. was concluded.

Consolidated profits came to minus EUR 7.6 million, minus EUR 7.0 million of which was attributable to shareholders.

3.2 Financial and asset position

Compared with the previous year, The Grounds' balance sheet increased by around EUR 9 million to EUR 147.8 million, undergoing some significant changes in its structure.

On the assets side, non-current assets were almost unchanged at EUR 43.4 million (previous year: EUR 43.2 million). The decrease of EUR 1.0 million was largely due to writedowns to investment property. This was offset by an increase in deferred tax assets of EUR 1.4 million.

Current assets rose by EUR 9.3 million to EUR 104.4 million, mainly as a result of the EUR 8.6 million increase in inventories to EUR 91.5 million. Inventories included work in progress, properties under construction, properties ready for sale and advance payments made, with the increase mainly attributable to properties under construction.

Contract assets, mainly comprising ongoing investments in construction projects from the condominiums already sold, went down by EUR 0.8 million to EUR 0.2 million.

Trade receivables related to instalment calls under the Real Estate Agent and Property Developer Ordinance (MaBV) for new-build properties that had not yet been settled as at the reporting date. These increased by EUR 0.7 million to EUR 2.6 million.

The Grounds had a total of EUR 3.0 million in cash and cash equivalents at the end of 2023, EUR 0.7 million more than a year earlier.

Under equity and liabilities, equity declined by EUR 7.6 million to EUR 24.8 million on account of the negative consolidated profits. As a result, the equity ratio fell to 16.8%. As at the end of 2022, it was 23.6%.

At the same time, financial liabilities and bonds went up by EUR 19.8 million, with non-current liabilities falling significantly and current liabilities rising substantially.

The main reason for the increase in financial liabilities was the expansion of the past financial year, leading to an increase in liabilities to banks in particular. The liabilities from the convertible bond (EUR 16.8 million) were reclassified from non-current to current liabilities. This include item also includes the liabilities from financing concluded with H.I.G. in the last quarter of 2023 in the amount of EUR 10.0 million.

Provisions climbed by EUR 3.6 million to EUR 5.0 million, largely as a result of the aforementioned assumption of debt from a loan agreement.

Advance payments received and trade payables are directly linked to the progress made in the construction of various properties. Liabilities increased to EUR 5.0 million in 2023 (previous year: EUR 1.7 million), while advance payments decreased to EUR 1.5 million (previous year: EUR 4.5 million).

At the end of the reporting period, The Grounds had cash of EUR 3.0 million, EUR 0.7 million more than a year ago.

Cash flow from operating activities in 2023 was a negative EUR –14.9 million. This was driven by factors including the negative consolidated profits, the fact that trade receivables decreased while trade payables rose and higher interest expenses as a result of more extensive debt funding. This was offset by positive cash flow from investing activities of EUR 0.4 million, essentially due to disposals of investment property, and positive cash flow from financing activities of EUR 15.2 million. This is a function of the raising of additional financing, including the bridge financing granted by H.I.G.

3.3 Financial and non-financial performance indicators

The Grounds uses several **financial performance indicators** to manage the Group. The main management parameters are sales revenues 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 are also reported in terms of the number of sales and the sales volume.

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.

Sustainability

Owing to political requirements and societal needs, demands for sustainability in business have significantly increased. The EU has explicitly set itself the goal of redirecting capital flows towards sustainable economic activities and has obligated large companies to provide greater transparency in terms of environmental protection (E = Environment), social engagement (S = Social), and a corporate governance based on principles of ethical business practices (G = Governance).

These principles apply to all companies, but especially to those in the real estate sector, as housing (the sum of all property-related activities) is responsible for around a third of all climate-harming CO2 emissions.

The Grounds considers itself committed to the essence of these guidelines, even though the company has not yet specifically used ESG criteria for corporate governance.

Environment

The Grounds complies with the highest energy efficiency and sustainability standards for new builds, such as the Effizienzhaus 55 standard (EH55) and Effizienzhaus 40 (EH40) standard. For the Terra Homes project in Erkner, it even developed its own innovative energy concept ensuring especially low energy consumption and enabling CO_2-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. Wherever it makes sense and is economically viable, new buildings are certified to high standards such as the German Sustainable Building Council (DGNB)'s Gold Standard. This is the case with the office building in Magdeburg (Central Offices project), and will also apply to all future projects.

Various measures in existing buildings help bring about CO_2 reduction. These include facade insulation, low-CO_2 heating systems installation and the transition from carbon-based energies to renewables. The Grounds is assessing investments in the existing portfolio with a view to increasing energy efficiency, as part of a strategy to market these properties as condominiums.

Social

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

Measures in the social domain are therefore primarily directed at customers and employees and are intended to ensure fair treatment of each other, which also includes needs beyond the purely material. For example, during the project development of urban areas, The Grounds seeks to involve all stakeholder groups early in the planning process, so that the needs of future users are included in the design of living spaces and residential environments. It does so in the knowledge that this will have a significant impact on the quality of life, health and social well-being. For example, The Grounds ensures that safe green spaces and public areas are accessible to all, that children have playgrounds and adults have areas for community activities.

The Grounds employs just 14 people in total. The company's success is therefore much more dependent on the commitment and motivation of each individual than is the case in companies with a large workforce. The Grounds is therefore very interested in the long-term commitment of employees to the company, a corporate culture perceived in a positive light, a pleasant working atmosphere, permanently secure jobs, adequate employee development, and a fair compensation structure. The Grounds believes these factors are critical for maintaining and increasing employee satisfaction and therefore also for the company's success.

Governance

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

The Grounds aligns with the requirements of the German Corporate Governance Code (GCGC). With few exceptions (related to the company's small size) these are met.

The working relationship between the Management Board and the Supervisory Board is in line with the legal requirements applicable to a stock corporation and governed by the Charter. All members of both boards 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. The Supervisory Board has opted not to establish committees due to the small number of members.

For its internal processes, The Grounds has a functioning internal control system which includes the usual control mechanisms such as the dual control principle, control loops and defined signing authorisations.

All strategic and management-related functions are performed by company employees, most of whom have long-standing experience in their respective professional fields. The main functions here are transaction management, asset management, financing and accounting.

All other administrative functions (largely property management) are outsourced to external service providers, giving the company the ability to flexibly plan capacity in line with changes in the portfolio.

3.4 Forecast variance analysis

For the 2023 financial year, the Management Board had anticipated an increase in revenue of at least 10% to between EUR 40 million and EUR 45 million, with the expectation that Group EBIT would climb to between EUR 4 million and EUR 5 million. The planning did not include any valuation effects. However, a small net profit contribution from the debtor warrant for the logistics property in Hangelsberg, which was sold at the end of 2020, was included.

As announced in an ad hoc disclosure on 24 January 2024, The Grounds was unable to achieve the revenue range forecast for 2023. There were two main reasons for this. The purchase agreement concluded in March 2022 for 34 houses in Erkner was cancelled by mutual agreement in connection with a compensation payment. Additionally, the payment of a debtor warrant originally expected for 2023 from the sold logistics property in Hangelsberg could not be realised within the financial year.

The earnings contributions from these two projects also failed to materialise along with revenue. Earnings were also negatively impacted by an unexpected impairment of investment properties of EUR 1.3 million and a provision of EUR 3.5 million from the assumption of debt from a loan agreement in the at-equity project company HAT 3 Projektentwicklungsgesellschaft mbH. Overall, this resulted in a Group EBIT deficit.

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4. Opportunity and Risk Report

4.1 Risk management

The Grounds operates an appropriate risk management and internal monitoring system throughout the Group in order to prevent deficiencies in its own organisation, identify and assess risks early on and therefore safeguard the company's future as a going concern. The risk management system not only identifies and assesses risks, it also draws up measures to prevent, minimise or limit them. It is particularly important to recognise risks early on that have the potential to jeopardise the company's planned development or even its status as a going concern. Risks are evaluated by their probability of occurrence and potential loss and collated at Group level. The company then bases any need for action, such as operational measures or the creation of provisions, on this information.

Under the risk management process, capital management has the task of safeguarding the company's liquidity and equity base in the long term and generating an appropriate return on capital employed.

The goal of financial risk management is to manage and limit the financial risks arising from business activities. The principal aim here is to avoid disruption to solvency (liquidity risk) and minimise default risks, i.e. any losses that may arise if a contracting party fails to meet its contractual obligations.

The company regularly reviews all risks and measures to limit them during the year on the basis of possible deviations from the company and Group planning as well as financial and liquidity planning. The Supervisory Board is also involved in this process. Target/actual comparisons and business analyses relate in particular to the key financial figures in the income statement, such as sales revenues, earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before taxes (EBT) and statement of financial position items, chiefly changes in equity and debt. Monthly key performance indicators from managing the property portfolio or from liquidity management are also used to perform a risk assessment.

4.2 Individual risks

4.2.1 Macroeconomic and market-related risks

Owing to the swift rise in interest rates over the past two years and uncertainty initially caused by these hikes among all market participants, the transaction market almost halved in 2023. Property prices also plunged, although there were marked differences in the rate of price falls based on the quality of a property and its purpose. This also had repercussions for The Grounds, as sales could not be realised to the extent the company had initially expected and planned.

To safeguard liquidity and the company's future as a going concern, The Grounds therefore had to obtain more external financing than planned and agreed to bridge financing with an investor which also indicated it would be an equity investor in the future.

The economic downturn of the past financial year left barely a dent on the rental market, as demand for housing, particularly in urban areas, steadily rose faster than supply could match. The lettings market therefore remained robust.

In a macroeconomic environment with rising interest rates, fixed assets will almost inevitably have to be written down – with negative consequences on earnings and key performance indicators relating to balance sheet ratios.

Research commissioned by The Grounds in 2022 revealed that high-quality properties in economically strong regions also experienced price falls, but not by so much or with a greater time lag. The Grounds focuses on these types of properties.

In addition, certificates of self-containment have been obtained for all the portfolio properties in the area surrounding Berlin, meaning that a declaration of division into condominiums can be realised in accordance with the Wohneigentumsgesetz (German Act on the Ownership of Apartments and the Permanent Residential Right). Therefore, the company has the strategic option of realising value by selling condominiums, thereby creating an alternative marketing situation allowing the company to reap the economic benefits from this in the future. The Grounds is planning to market its first properties in 2024.

Average construction prices crept up further in 2023, even though some materials were cheaper. The Grounds is exposed to the risk that planned budgets could be exceeded during project developments or renovation and maintenance measures in existing properties. While The Grounds projects in Magdeburg are within the planned budget, the contracting situation in Berlin proved to be more difficult. The Grounds had to award contracts there that exceeded the individual budgets allocated for them in some cases.

4.2.1.1 Competition

As part of its business activities, The Grounds 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.

The Grounds seeks to distinguish itself from these through unique selling points and individual usage concepts.

The Grounds is also in competition for tenants, property sellers, and investors, which means it may not be able to compete or differentiate itself sufficiently from its competitors.

But the risk is limited as the management of The Grounds has long-standing experience in the property industry and therefore has an extensive and proven network allowing it to secure off-market transactions and not compete publicly 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.

4.2.1.2 Regulatory risks

The Grounds Group's business activities depend to a considerable degree on the current regulatory framework for residential property. This includes in particular tenancy law regulations (rent index, tenant protection, etc.), regulations on the energy performance of properties (zero-emissions standard, etc.), environmental protection regulations (Heating Act, CO2 levy, etc.) and tax requirements (real estate transfer tax, etc.). These regulations have changed frequently and will most likely continue to do so.

Changes in the legal regime can have a major negative impact on The Grounds' profits from investments and the earnings situation. Legislative changes can also require major action, entailing high additional costs that – for legal or other reasons – can be passed on to tenants only to a limited extent or not at all.

But in such situations, all competitors should be similarly affected, so that The Grounds would at least not be put at a competitive disadvantage in the market.

Sustainability aspects play an increasingly important role in the property sector. With its taxonomy, the European Union has formulated the clear goal of channelling investments more strongly into activities which are less harmful for the climate. This is highlighted by the requirement that all new buildings must be climate-neutral by 2030, while existing buildings must be converted into zero-emissions buildings by 2050, for example. The EU also resolved that residential buildings with especially poor energy efficiency will have to achieve at least energy performance class E by 2030 and energy performance class D by 2033. It is therefore expected that investors will increasingly look for properties that are taxonomy-aligned. Non-sustainable properties will therefore probably lose value in absolute terms, and certainly in relative terms.

Energy efficiency upgrades have already been carried out for some residential units in The Grounds' portfolio. The company is looking into investing in additional insulation, installing state-of-the-art low-CO2 heating systems and integrating renewable energy to improve the energy efficiency of its buildings so that it is in a position to comply with the EU requirements. Its project developments are mainly planned and developed on the basis of the EH55 standard or in accordance with the EH40 standard already.

4.2.2 Company-specific and operating risks

4.2.2.1 Purchase and sale of properties

The economic success of The Grounds largely 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 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.

The Grounds 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.

4.2.2.2 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 may feature contaminated sites, other harmful soil contamination or war relics. In connection with this soil contamination, the authorities responsible may order The Grounds to remove the hazards, which typically incurs high costs. Even if the company has already sold this land and properties to third parties, there is a risk of the purchasers claiming damages or enforcing other warranty claims. The Grounds 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 not economically viable 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, 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.

The Grounds also addresses these risks by carefully analysing all aspects mentioned when seeking to acquire building land or an already constructed property.

4.2.2.3 Staff

Members of the company's Management Board and Supervisory Board and other managers at The Grounds 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 would be able to make up for this at short notice by hiring new employees. The HR changes over past year show that The Grounds is able to make up for this and implement HR changes at management level without any deterioration in quality. The company endeavours to retain qualified specialists for the long term by providing appropriate incentives such as the share option programme launched in the 2020 financial year.

4.2.2.4 Financing and interest rate risks

The Grounds requires significant financing for the expansion of its business activities planned under its business model, which must be obtained either in the form of equity or debt capital. Accordingly, business performance is dependent on receiving additional financing on time at appropriate conditions and, where necessary, refinancing existing financing at maturity. If it does not obtain this, The Grounds will not be able to build up or expand its business to the desired degree.

Therefore, The Grounds always examines all options for raising financial resources, from bolstering its equity base to raising marketable debt capital, bank financing or other means such as mezzanine financing.

With interest rates rising rapidly, banks are more likely to become more restrictive in their lending. Additionally, another crisis on financial markets would make it considerably more difficult for The Grounds to obtain debt financing, leading to liquidity problems. If this causes problems servicing existing loans, lenders could initiate forced sales of real estate collateral as a last resort. These distressed sales would come at a considerable financial disadvantage for The Grounds. To minimise this risk, The Grounds works with a large number of banks and actively looks for ways to tap the capital market for financing or raise funds through equity financing. Joint venture partnerships are not ruled out either.

The company also has financing agreements with debt service coverage ratios and financial covenants. Failure to comply with these credit conditions may result in an obligation to pay everything early if the options for remedy are not utilised.

The balance sheet contains current financial liabilities amounting to EUR 61.9 million. If repayment is not secured by sales agreements that have already been concluded, the company could have difficulties refinancing risk, leading to liquidity problems. The Grounds seeks to extend financing ahead of schedule if necessary. There were no financial liabilities due as at the date of publication.

The convertible bond, which was successfully placed in February 2021 and subsequently topped up, was an important milestone for the company in establishing a presence on the capital market. In 2024 this bond was converted into a fixed-interest bond with an extended term until at least 2027.

In 2023, H.I.G. Capital agreed to become an investor. After providing bridge financing of EUR 10 million, it has also indicated its willingness to become involved as an equity investor in 2024.

Contracts with variable interest rates and future refinancing of expiring loans and new loans are exposed to interest rate risk. Rising financing costs may negatively impact the profitability of projects and cash flows in the future.

4.2.2.5 Liquidity and financing risks

The Grounds 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 and mitigates them accordingly if needed. To ensure that this can also be carried out at short notice, the Management Board is updated monthly on current liquidity. This report includes a liquidity forecast that covers all current business transactions at Group level and maps the planning data.

4.2.2.6 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. 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.

The Grounds deal with this risk by working closely with the appointed tax advisor and taking all tax aspects into account in all business transactions.

4.2.2.7 Insufficient credit rating, insolvency or termination by contractual partners

Portfolio properties require constant modernisation and maintenance to meet legal requirements and remain of interest to tenants. With its project developments in particular, the company is exposed 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 claims for damages.

To counter this risk, where possible The Grounds 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.

4.2.2.8 Rental income

The Grounds obtains part of its sales revenues from letting the residential properties in its existing portfolio. Accordingly, part of being a successful business is maintaining this rental income at existing levels or even increasing it. The means owning attractive properties in good locations and finding solvent tenants who are prepared to sign rental agreements on attractive terms for The Grounds.

The Grounds mitigates the risk of vacancies and loss of rent by contractually securing vacancy reductions or lease extensions when acquiring properties, and by concluding contracts with new tenants only if they have a sufficiently good credit rating. The rental default risk is kept low by way of targeted monitoring and proactive measures.

4.2.3 Other risks

In addition to the risks described above, there are other events that affect business performance that the company cannot predict or control. These include natural disasters, epidemics, wars and terrorist attacks.

4.2.4 Overall assessment of risks

In the 2023 reporting year, many of the aforementioned risks became more visible than in previous years. Interest rate hikes, high inflation, a macroeconomic recession and a slump in the property sector (in respect of new construction and transactions) have made the business outlook gloomier, financing conditions less conducive and even led to a number of business closures in the sector. In such an environment, The Grounds has proven itself, mitigated all risks and, in particular, gained a new financing partner who, like the management, believes now is the best time to reposition itself and put itself in a strong position for the expected revival of the industry.

4.3 Opportunity report

Opportunities in connection with macroeconomic and sector-specific developments
Economists are expecting at least a modest recovery in general economic activity in 2024, even if this is likely to be below 1%. At the same time, inflation will continue to weaken, fuelling expectations that the European Central Bank will call a halt to the cycle of key interest rates hikes, thereby leaving rates generally at 2023 levels. It is thought possible there may be a slight reduction in interest rates. The macroeconomic environment is therefore looking up. This will also improve the outlook for the real estate sector, as construction prices are anticipated to rise less steeply and financing conditions will become stable or at least more predictable.

As property values were adjusted downwards last year, there is good reason to believe the transaction market will pick up again and demand for new builds stabilise.

In the rental market, the company believes there is further scope for an adjustment in 2024, as unbroken high demand will be offset only by a small supply of new builds, which is unlikely to change over the next few years due to the long lead times.

The Grounds sees opportunities for its own business in this environment, whether from rent increases in its own portfolio, disposals in the privatisation business or a revival of project developments.

Opportunities from financing

In 2023, The Grounds concluded a financing agreement with an investor that is intended to lead to an equity investment in a capital increase in 2024. There are a number of benefits from this. Firstly, this puts the company on a secure long-term financial footing. The changes to the balance sheet structure will improve key performance indicators such as the LTV and open up further options for financing. Financial performance will also improve, as interest expenses will fall as a result, in turn boosting earnings.

All in all, an increase in equity should improve The Grounds' profile on the capital market and therefore its competitiveness in its business segment.

Company-related opportunities

Going forward, The Grounds anticipates some company-specific issues will be beneficial for it, such as the long-awaited, but not yet finalised, agreement for a debtor warrant related to the Hangelsberg project, the sale of the Central Offices project in Magdeburg, the negotiations for which have been promising but not yet concluded, and also the renewed global sale of the project in Erkner.

5 Forecast Report

5.1 Macroeconomic and sector-specific development

Economic research institutes and the German government expect economic activity to recover slightly. Following a seasonally and calendar-adjusted decline in gross domestic product of 0.1% in 2023, the forecast is for a slight increase of around 0.2% in 2024. The upshot of this is that the German economy will only emerge very slowly from recession. Meanwhile, inflation is expected to soften further and keep below 3% year on year, while disposable income will grow more strongly as a result of the comparatively generous wage settlements in many sectors. Real wages are therefore predicted to improve. At the same time, the employment market should remain robust overall, with unemployment not increasing at all or only marginally. All of this points to a macroeconomic environment remaining stable and with some modest improvement.

One factor of particular significance for the property sector is the expectation that interest rates are unlikely to rise any more. Statements from the European Central Bank suggest that base rates could remain stable or even be cut slightly as the year progresses. Having a stable interest rate environment is important as it creates planning certainty – and this has been lacking in the last two years.

This may lead to a recovery in the transaction market and stabilisation in the demand for construction services.

5.2 Sector situation

German construction industry

For 2024, the Central Association of the German Construction Industry (ZDB) expects revenue in the construction industry to decrease by 3% in real terms. It is even anticipating muted growth in commercial and public-sector construction, with further falls in residential construction. The ZDB expects around 235,000 apartments to be completed – about 13% less than in 2023. Residential construction is labouring most under the changed macroeconomic conditions, with orders on a downward trajectory since 2022.

The flip side of this trend should prove a fillip for all remaining property developers, because when demand falls, the supply of available tradespeople improves and pressure on prices eases.

Transactions market

To all intents and purposes, the transactions market halved in size in 2023 compared with the previous year. This was largely because all market participants initially had to reposition themselves following the rapid rise in interest rates over the last two years. There should now be greater clarity about the ECB's interest rate policy, which should feed a recovery in the transactions market. Just how quickly and how much this happens is difficult to predict. But market players agree that the low point has already been reached or will at least be reached some time in 2024.

The Grounds, whose business performance is dependent on the transaction market, shares this view. The company is at least in promising talks about the sale of some of its projects. This is true at least of the Central Offices project and the Börde Bogen neighbourhood development (both in Magdeburg).

5.3 Company

The Grounds expects to match the success of 2022 in 2024 and is forecasting revenue of between EUR 48 million and 52 million. This would be a significant increase on 2023 and a moderate increase on 2022. Group EBIT is expected to break even. The sales of the Börde Bogen neighbourhood development and the terraced houses in Erkner will be key to achieving the target. The Grounds is also planning to generate initial revenue from the sale of condominiums from the properties held as fixed assets in the Berlin area. The Group EBIT forecast includes a small gross profit contribution of EUR 2.5 million from the debtor warrant for the logistics property in Hangelsberg, which was sold at the end of 2020 and with payment set for the first half of 2024.

As already mentioned, The Grounds also anticipates the possibility of a capital increase in 2024, which, if carried out, will have a positive impact on net interest income, the balance sheet and its profile on the capital market.

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 has been 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 explained in section 1.4, Jacopo Mingazzini has been the sole member of the Executive Board of The Grounds since 1 May 2023. Arndt Krienen, who had also been a member of the Executive Board until that point, had asked the Supervisory Board to end his activities prematurely for personal reasons. Fixed and variable remuneration paid amounted to EUR 154 thousand in the financial year. The stock options amounting to 700,000 units expired within the vesting period stipulated in the option conditions.

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, 26 April 2024

The Management Board
Jacopo Mingazzini

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

The Grounds Real Estate Development AG, Berlin, as at 31 December 2023

	Note	31 Dec. 2023	31 Dec. 2022
		TEUR	TEUR
Assets			
Non-current assets			
Intangible assets	**8.1**	15	16
Goodwill	**8.1**	1,942	1,942
Property, plant and equipment	**8.1**	180	231
Right-of-use assets	**8.2**	240	315
Investment property	**8.6**	34,821	35,769
Equity investments	**8.4**	2	152
Interests in companies accounted for using the equity method	**8.5**	2,279	2,316
Other financial assets	**8.7**	145	23
Deferred tax assets	**8.23**	3,818	2,465
Total non-current assets		**43,442**	**43,230**
Current assets			
Inventories	**8.8**	91,480	82,838
Contract assets	**8.9**	169	979
Trade receivables	**8.10**	2,568	1,821
Other receivables	**8.11**	7,129	6,479
Cash	**8.12**	3,028	2,273
Non-current assets held for sale	**8.13**	0	660
Total current assets		**104,374**	**95,050**
Total assets		**147,816**	**138,279**

	Note	31 Dec. 2023	31 Dec. 2022
		TEUR	TEUR
Equity			
Issued capital	**8.14**	17,806	17,806
Adjustment item from business acquisition	**8.14**	–12,453	–12,453
Capital reserves	**8.14**	3,011	3,111
Retained earnings	**8.14**	155	155
Net income	**8.14**	10,488	17,563
Attributable to shareholders of the parent company		19,007	26,182
Attributable to non-controlling shareholders		5,826	6,387
Total equity		**24,833**	**32,569**
Liabilities			
Non-current liabilities			
Financial liabilities	**8.15**	10,823	27,658
Bonds	**8.16**	0	16,351
Lease liabilities	**8.17**	121	207
Other liabilities	**8.21**	134	19
Deferred tax liabilities	**8.23**	5,443	6,683
Total non-current liabilities		**16,520**	**50,918**
Current liabilities			
Provisions	**8.18**	5,012	1,399
Financial liabilities	**8.15**	61,856	35,719
Bonds	**8.16**	27,269	376
Lease liabilities	**8.17**	148	142
Advance payments received	**8.20**	1,474	4,489
Current income tax liabilities	**8.22**	2,765	4,393
Trade payables	**8.19**	4,993	1,660
Other liabilities	**8.21**	2,946	6,616
Total current liabilities		**106,463**	**54,793**
Total assets		**147,816**	**138,279**

CONSOLIDATED INCOME STATEMENT

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 2023

	Note	1 Jan. 2023 – 31 Dec. 2023	1 Jan. 2022 – 31 Dec. 2022
		TEUR	TEUR
Sales revenue	**8.24**	23,896	36,751
Changes in value of investment property	**8.6**	−1,279	865
Other operating income	**8.28**	593	875
Change in inventories	**8.25**	829	932
Cost of materials	**8.26**	−20,634	−31,864
Staff costs	**8.27**	−1,834	−2,143
Depreciation of property, plant and equipment and amortisation of intangible assets	**8.1**	−184	−198
Other operating expenses	**8.29**	−6,144	−1,869
EBIT before income from associates		**−4,757**	**3,349**
Income from associates	**8.5**	−37	9
EBIT		**−4,794**	**3,359**
Income from equity investments	**8.30**	0	104
Interest income	**8.30**	133	609
Interest expenses	**8.30**	−4,437	−2,488
Financial result		**−4,304**	**−1,775**
Earnings before income taxes		**−9,098**	**1,584**
Income taxes	**8.31**	1,512	−398
Consolidated net earnings		**−7,586**	**1,186**
of which attributable to non-controlling shareholders		−558	16
of which attributable to shareholders of the parent company		−7,028	1,170
Earnings per share (in EUR)	**8.32**	**−0.39**	**0.07**


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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 2023

	Issued capital	Adjustment item from business acquisition	Capital reserves	Retained earnings	Net income/ loss	Attributable to non-controlling shareholders	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As at 1 Jan. 2023	**17,806**	**–12,453**	**3,111**	**155**	**17,563**	**6,387**	**32,569**
Share-based remuneration			–100				**–100**
Consolidated comprehensive income					–7,028	–558	**–7,586**
Disposal of non-controlling interests					3	–3	**0**
Profit distributions					–50		**–50**
As at 31 Dec. 2023	**17,806**	**–12,453**	**3,011**	**155**	**10,488**	**5,826**	**24,833**

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 2022

	Issued capital	Adjustment item from business acquisition	Capital reserves	Retained earnings	Net income/ loss	Attributable to non-controlling shareholders	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As at 1 Jan. 2022	**17,806**	**−12,453**	**2,837**	**155**	**16,393**	**599**	**25,337**
Share-based remuneration			274				**274**
Acquisition of non-controlling interests						5,773	**5,773**
Consolidated comprehensive income					1,170	16	**1,186**
As at 31 Dec. 2022	**17,806**	**−12,453**	**3,111**	**155**	**17,563**	**6,387**	**32,569**

CONSOLIDATED STATEMENT OF CASH FLOWS

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 2023

		1 Jan. 2023 – 31 Dec. 2023	1 Jan. 2022 – 31 Dec. 2022
		TEUR	TEUR
	Consolidated net earnings	−7,586	1,186
+	Write-downs on fixed assets	39	56
+	Depreciation of right-of-use assets	145	142
−/+	Net income from associates accounted for using the equity method/ investment income	37	−113
+/−	Increase/decrease in provisions	3,613	533
+	Other non-cash changes	−100	10,167
−/+	Changes in value of investment property	1,279	−865
−/+	Gains/losses on the disposal of fixed asset	−22	4
−/+	Gains/losses on the disposal of investment property	0	−24
−/+	Increase/decrease in inventories, trade receivables, contract assets and other assets not related to investing or financing activities	−9,041	−32,073
+/−	Increase/decrease in trade payables and other liabilities not related to investing or financing activities	−3,287	6,398
+/−	Interest expenses/income	4,304	1,879
+/−	Income tax expense/income	−1,512	398
−/+	Income taxes paid	−2,778	−140
=	**Cash flow from operating activities**	**−14,907**	**−12,453**

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		1 Jan. 2023 – 31 Dec. 2023	1 Jan. 2022 – 31 Dec. 2022
		TEUR	TEUR*
+	Proceeds from disposals of property, plant and equipment	66	21
+	Proceeds from disposals of financial assets	150	0
+	Proceeds from the disposal of investment property	660	1,324
–	Payments for investments in intangible fixed assets	–1	–3
–	Payments for investments in property, plant and equipment	–31	–44
–	Payments for investments in financial assets	–123	–8
–	Payments for investment property	–331	–5,815
+	Interest received	14	0
+	Dividends received	0	104
=	**Cash flow from investing activities**	**405**	**–4,421**
+	Proceeds from issuing bonds and (financial) borrowing	28,547	35,225
–	Payments from repaying bonds and (financial) loans	–8,986	–15,868
–	Repayment of lease liabilities	–149	–137
–	Interest paid	–4,155	–2,488
=	**Cash flow from financing activities**	**15,257**	**16,732**
	Cash changes in cash funds	755	–141
+	Changes in the consolidated group	0	29
+	Cash funds at the beginning of the period	2,273	2,385
=	**Cash funds at the end of the period**	**3,028**	**2,273**

Additional explanations in the notes to the consolidated financial statements, section 8.33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2023

1 Fundamental Information

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

The company's shares are listed on the 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 primarily operates as an operating holding company for its property companies.

2 Reporting Principles

In accordance with Section 293 of the Handelsgesetzbuch (German Commercial Code – HGB), The Grounds AG is not required to prepare group accounting for the 2023 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 2023 financial year. The consolidated financial statements were thus 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 statement of financial position 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 only comprises an 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 2022, except for the changes subsequently explained.

Following adoption by the EU, the following new or amended accounting standards and interpretations were mandatory for the IFRS consolidated financial statements for the 2023 financial year for the first time:

Standard/interpretation	First time mandatory application in the EU
Amendments to IAS 1 "Presentation of Financial Statements" and to IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 "Income Taxes": Deferred Tax related to Assets and Liabilities arising from a Single Transaction and Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules	1 January 2023
IFRS 17 "Insurance Contracts" including amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023

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 IAS 1 "Presentation of Financial Statements": Classification of Liabilities as Current or Non-Current	1 January 2024	1 January 2024
Amendments to IFRS 16 "Leases": Lease Liability in a Sale and Leaseback	1 January 2024	1 January 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	1 January 2024	Not yet known
Amendments to IAS 21 "Lack of Exchangeability"	1 January 2025	Not yet known
IFRS 14 "Regulatory Deferral Accounts"	1 January 2016	Not endorsed by EU

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

These consolidated financial statements for The Grounds AG were prepared voluntarily and approved authorised for issue by the Management Board on 26 April 2024.

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 reported as non-controlling interests within consolidated 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 reported as sales revenues, 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 statement of financial position 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 only recognised if the Group has entered into a legal or constructive loss absorption obligation or makes payments in place 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 reported 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 2023 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%
TGA Immobilien Erwerb 4 GmbH	Berlin	75%
TGA Immobilien Erwerb 5 GmbH	Berlin	100%
TGA Immobilien Erwerb 7 GmbH	Berlin	100%
Silent Living Grundbesitz GmbH	Berlin	100%
TGA Immobilien Erwerb 12 GmbH	Berlin	100%
TGA Immobilien Erwerb 13 GmbH	Berlin	100%
TGA Immobilien Erwerb 14 GmbH	Berlin	100%
TGA Immobilien Erwerb 15 GmbH	Berlin	100%
Grundstücksentwicklung Halberstädter Straße 153 GmbH	Berlin	94.9%
The Grounds App 1 GmbH & Co. KG	Berlin	100%
BORBICO GmbH[3)]	Zossen	100%
Gesellschaft für Dienstleistungen Logistikzentrum Hangelsberg mbH	Berlin	100%
Capstone Opportunities AG	Berlin	89.9%
CS1 GmbH	Berlin	100%
CSO Verwaltung GmbH	Berlin	100%
TGA Immobilien Erwerb 8 GmbH [1)]	Berlin	100%
Wohnen am Haseknie GmbH & Co. KG [1)]	Berlin	100%
WMKG GmbH	Berlin	100%
Grundstücksgesellschaft LennéQuartier mbH & Co. KG [4)]	Berlin	94.9%
The Grounds Dallgow-Döberitz GmbH	Berlin	100%
The Grounds Bernau GmbH	Berlin	100%
The Grounds App 2 GmbH & Co. KG	Berlin	51%
Börde Bogen Management GmbH	Berlin	51%
HIM 5 GmbH	Berlin	51%
TG Margaretenstraße GmbH & Co. KG	Berlin	100%

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

List of associates

Company	Registered office	Equity interest
HAT 3 Projektentwicklungsgesellschaft mbH[2]	Berlin	50.0%
CS2 GmbH	Berlin	49.0%

[1] Held indirectly through Capstone Opportunities AG.
[2] Held indirectly through TGA Immobilien Erwerb 8 GmbH.
[3] Held indirectly through TGA Immobilien Erwerb 12 GmbH.
[4] Held partly directly, partly indirectly through Capstone Opportunities AG.

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

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[5]	Stuttgart	10.1%	−2,797	−2,556
PropTech1 Fund I Carry GmbH & Co. KG[6]	Berlin	3.4%	−4	16

All equity interests were held directly.
[5] Data as per provisional annual financial statements as at 31 December 2022.
[6] Data as per annual financial statements as at 31 December 2022.

4.4.2 Changes in the reporting period

The consolidated group changed as follows in the reporting period compared to 31 December 2022:

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

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 reported as an intangible asset. Goodwill resulting from the acquisition of an associate is included in the carrying amount of the interest in the associate.

Goodwill is tested for impairment annually as well as 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 2023 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 statement of financial position under non-current assets. The corresponding lease liabilities are also reported separately in the consolidated statement of financial position 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 mainly determined 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 predominantly relate 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 sales revenues 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 only recognised loans and receivables 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 equity investments reported 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 statement of financial position. 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 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if it is highly likely that they will be recovered principally through a sale transaction rather than through continuing use. These assets or disposal groups are reported at the lower of carrying amount and fair value less costs to sell.

5.11 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.

5.12 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.

5.13 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.

5.14 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.

5.15 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.

5.16 Revenue recognition

Sales revenues from contracts with customers are 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. They are 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 sales revenues are essentially generated from developing and selling apartments and project properties, as well as from rental income and operating costs.

Sales revenues from property sales predominantly include 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 sales revenues correspond 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 sales revenues are 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 reported separately in the consolidated statement of financial position. If the milestone payment exceeds the sales revenues 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 sales revenues. The ancillary/operating costs billed to the tenants are reported 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.

5.17 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 reported 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 only forms sales business relationships 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	
	2023	2022	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Cost	1,942	1,941	20	21	346	333
Accumulated depreciation/ amortisation	0	0	4	6	115	67
Carrying amount as at 1 Jan.	**1,942**	**1,941**	**16**	**15**	**231**	**266**
Additions (+)	0	1	1	0	30	44
Additions from initial consolidation (+)	0	0	0	5	0	0
Disposals (–)	0	0	–1	–6	–107	–31
Depreciation/amortisation (–)	0	0	–2	–1	–37	–55
Additions to depreciation/ amortisation from initial consolidation (–)	0	0	0	–2	0	0
Disposals – depreciation (–)	0	0	–1	–5	–63	–7
Carrying amount as at 31 Dec.	**1,942**	**1,942**	**15**	**16**	**180**	**231**
Cost	1,942	1,942	20	20	269	346
Accumulated depreciation/ amortisation	0	0	5	4	89	115

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*	
	2023	2022	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Cost	447	447	147	124	12	12
Accumulated depreciation/ amortisation	201	112	81	32	9	6
Carrying amount as at 1 Jan.	**246**	**335**	**66**	**92**	**3**	**6**
Additions (+)	0	0	69	23	0	0
Additions from initial consolida-tion (+)	0	0	0	0	0	0
Disposals (−)	0	0	0	0	0	0
Depreciation/amortisation (−)	−89	−89	−53	−49	−3	−3
Additions to depreciation/ amortisation from initial consolidation (−)	0	0	0	0	0	0
Carrying amount as at 31 Dec.	**157**	**246**	**83**	**66**	**0**	**3**
Cost	447	447	216	147	12	12
Accumulated depreciation/ amortisation	290	201	134	81	12	9

* Business and office equipment

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 1,972 thousand (previous year: EUR 1,885 thousand) in the reporting period. EUR 179 thousand of this (previous year: EUR 297 thousand) is attributable to properties held for sale/project properties and EUR 1,793 thousand (previous year: EUR 1,588 thousand) to investment property.

The Grounds Group's operating leases in 2023 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 432 thousand in the 2024 financial year, EUR 39 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, and a 3.4% interest in PropTech1 Fund I Carry GmbH & Co. KG, Berlin, which are recognised at cost. The interest of 1.2% in ERIC Group GmbH, Berlin, was sold in the 2023 financial year. 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. 2023	31 Dec. 2022
	TEUR	TEUR
Beginning of the financial year	**2,316**	**5,441**
Disposals of interests due to change to consolidation	0	−3,134
Share in profit and loss	−37	9
End of the financial year	**2,279**	**2,316**

8.6 Investment property

	31 Dec. 2023	31 Dec. 2022
	TEUR	TEUR
Beginning of the financial year	**35,769**	**31,050**
Additions (+)	331	5,814
Reclassifications to non-current assets held for sale (−)	0	−660
Disposals (−)	0	−1,300
Appreciation (+)	0	865
Depreciation (−)	−1,279	0
End of the financial year	**34,821**	**35,769**

The addition in 2023 essentially results from modernisation work on the Margaretenstraße property and in the Berlin environs portfolio.

Liabilities to banks in connection with investment property are secured by land charges in the amount of EUR 18,802 thousand (previous year: EUR 18,759 thousand).

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 34,821 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 %	4.17%	0.95% to 6.34%
Remaining useful life	Years	40	35 to 50
Market rent	EUR/m²	6.70	4.64 to 9.13
Operating costs	% of gross profit	24.15%	16.4% to 31.12%

Measurement results	Unit	Mean	Range
Target rent multiplier	Factor	16.3	8.1 to 34.1
Market value per m²	EUR/m²	1,313	460 to 3,683

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 31,841 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 38,361 thousand. A 10% decrease in market rent would put the fair value of the properties at EUR 31,011 thousand. If market rent were increased by 10%, the total fair value would have been EUR 38,861 thousand. The fair value of the properties would have totalled EUR 35,411 thousand if the vacancy rate had been reduced by 1%. Conversely, the fair value would have fallen to EUR 34,491 thousand if the vacancy rate had been increased by 1%.

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

	2023	2022
	TEUR	TEUR
Rental income (sales revenue)	1,792	1,588
Cost of materials	–411	–382
Maintenance expenses	–183	–108
Total	**1,198**	**1,098**

8.7 Other financial assets

Other financial assets break down as follows:

	31 Dec. 2023	31 Dec. 2022
	TEUR	TEUR
Shares in cooperatives	145	23
Total	**145**	**23**

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. 2023	31 Dec. 2022
	TEUR	TEUR
Work in progress	1,149	994
Properties under construction	81,331	71,135
Properties ready for sale	6,348	8,243
Advance payments made	2,652	2,466
Total	**91,480**	**82,838**

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

8.9 Contract assets

Contract assets of EUR 169 thousand (previous year: EUR 979 thousand) are considered current. They relate in full to construction work already performed for two housing construction projects in Magdeburg and Berlin. Work performed on the development amounted to EUR 20,372 thousand as at 31 December 2023. Net advance payments received from customers at project level amounted to EUR 20,202 thousand as at 31 December 2023. The net amount of these items results in contract assets of EUR 169 thousand.

8.10 Trade receivables

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

	31 Dec. 2023	31 Dec. 2022
	TEUR	TEUR
Trade receivables (gross)	2,675	1,870
Write-downs	−107	−49
Trade receivables (net)	**2,568**	**1,821**

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

	31 Dec. 2023	31 Dec. 2022
	TEUR	TEUR
Trade receivables	**2,568**	**1,821**
of which not impaired and not past due as at the reporting date	2,050	803
of which not impaired but past due as at the reporting date up to 30 days	25	910
of which not impaired but past due as at the reporting date between 31 and 60 days	30	28
of which not impaired but past due as at the reporting date between 61 and 90 days	3	12
of which not impaired but past due as at the reporting date between 91 and 180 days	409	38
of which not impaired but past due as at the reporting date between 181 and 360 days	34	16
of which not impaired but past due as at the reporting date more than 360 days	18	14
Net value of impaired trade receivables	**107**	**49**

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 only included current items and were composed as follows:

	31 Dec. 2023	31 Dec. 2022
	TEUR	TEUR
Receivables from investees	610	0
Other receivables from associates	0	744
Receivables from loans to related parties	10	233
Other receivables from related parties	60	61
Receivables from loans to third parties	1,809	1,763
Costs to obtain contracts	726	2,535
Receivables from VAT	484	323
Tax refund claims	109	43
Deposits	108	36
Bank balances pledged as collateral	2,918	340
Miscellaneous other receivables	295	401
Total	**7,129**	**6,479**

As in the previous year, the reported loans to related parties of EUR 10 thousand (previous year: EUR 233 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 Non-current assets held for sale

By way of agreement dated 28 April 2022 and an addendum dated 24 November 2022, the site at Karlstraße 10 in Bindefeld was sold effective 1 January 2023.

By way of agreement dated 10 November 2022, the site at Charlottenhof 5 a and b in Wittenberge was sold effective 17 February 2023.

There were no non-current assets held for sale as at 31 December 2023.

8.14 Equity

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

	31 Dec. 2023	31 Dec. 2022
	EUR	EUR
Beginning of the financial year	**17,805,517**	**17,805,517**
Non-cash capital increase	0	0
End of the financial year	**17,805,517**	**17,805,517**

The (non-cash) capital increase in the 2020 financial year was based on a resolution of the Management Board and the Supervisory Board on 15 July 2020 utilising the existing authorised capital. The subject of the capital increase was the contribution of 89.9% of the shares of Capstone Opportunities AG, Berlin, in exchange for granting 2.7 million new shares at an issue price of EUR 1.00 per share.

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 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. These amounts are reduced by the costs of raising equity (after deducting income taxes) and by withdrawals for loss compensation.

In the reporting year, a total of EUR 216 thousand was added to capital reserves as a result of issuing share-based remuneration (option rights) within the meaning of IFRS 2. As a member of the Management Board left before the end of the vesting period stipulated by the terms and conditions, an amount of EUR 316 thousand in total was reversed to profit or loss.

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.

8.15 Financial liabilities

The company's financial liabilities are as follows:

	31 Dec. 2023 TEUR	31 Dec. 2022 TEUR
Non-current financial liabilities		
Liabilities to banks and other lenders	10,823	27,658
Total non-current financial liabilities	**10,823**	**27,658**
Current financial liabilities		
Liabilities to banks and other lenders	61,856	35,719
Total current financial liabilities	**61,856**	**35,719**
Total financial liabilities	**72,679**	**63,377**

Liabilities to banks and subordinated loans with a nominal amount of EUR 67,325 thousand (previous year: EUR 58,912 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. In addition, The Grounds Real Estate Development AG issued guarantees for financial liabilities of nominally EUR 56,064 thousand, hard letters of comfort as well as debt assumptions for financial liabilities of EUR 24,570 thousand. Also, company shares were pledged for financial liabilities of nominally EUR 19,153 thousand.

There are also contractual obligations regarding compliance with financial covenants amounting to EUR 18,829 thousand (previous year: EUR 21,215 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 1,577 thousand granted by related companies and that bear interest at between 0% and 7% p.a. Financial liabilities also include loans from co-shareholders in joint venture projects in the amount of EUR 1,745 thousand.

All loans are denominated in EUR.

8.16 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 yearly on 18 August and 18 February.

Net issue proceeds were predominantly used 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 568 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 reported includes the amortised performance obligation of the liability component at the end of the reporting period.

The Grounds AG issued a bullet bond with a one-year term and a total nominal amount of EUR 10.0 million in October 2023. The bond bears interest at a nominal rate of 20.0% p a. Furthermore, there are contractual obligations to comply with financial covenants and the bond is secured by pledges of company shares and by assignments of shareholder loans and sales receivables.

Total interest expenses of EUR 1,820 thousand were reported for bonds in the reporting period.

8.17 Lease liabilities

Lease liabilities break down as follows:

Maturity	Up to 1 year		> 1 year to 5 years		> 5 years	
	2023	2022	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Payments	158	156	131	218	0	0
Interest portion	10	15	10	10	0	0
Principal portion	148	142	121	207	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.

8.18 Provisions

Provisions developed as follows in the reporting period:

	Staff	Out-standing invoices	Financial state-ments and audit	Warranties	Other	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
1 January 2023	**142**	**1,168**	**86**	**0**	**3**	**1,399**
Utilisation	132	1,136	58	0	0	1,326
Reversal	0	56	34	0	2	92
Addition	73	1,268	77	100	3,513	5,031
31 December 2023	**83**	**1,244**	**71**	**100**	**3,514**	**5,012**

Other provisions essentially include a provision for a loss assumption by The Grounds Real Estate Development AG under a loan agreement in the project company accounted for using the equity method HAT 3 Projektentwicklungsgesellschaft mbH with joint and several liability.

8.19 Trade payables

Trade payables developed as follows:

	31 Dec. 2023	31 Dec. 2022
	TEUR	TEUR
Trade payables	**4,993**	**1,660**

As at the end of the reporting period, liabilities largely include outstanding invoices for construction and related costs. The Grounds Real Estate Development AG is jointly and severally liable for related construction costs of EUR 900 thousand.

8.20 Advance payments received

Advance payments received developed as follows:

	31 Dec. 2023	31 Dec. 2022
	TEUR	TEUR
Advance payments received	**1,474**	**4,489**

8.21 Other liabilities

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

	31 Dec. 2023	31 Dec. 2022
	TEUR	TEUR
Liabilities to related parties	97	29
Liabilities from loans to related parties	56	706
Liabilities from loans to associates	2,529	3,277
Retention of collateral	180	72
Value-added tax	23	64
Purchase price liabilities	0	1,080
Miscellaneous liabilities	195	1,407
Other liabilities	**3,080**	**6,635**

Miscellaneous other liabilities include wage taxes.

8.22 Current income tax liabilities

Current income tax liabilities of EUR 2,765 thousand (previous year: EUR 4,393 thousand) include liabilities from corporation tax of EUR 591 thousand (previous year: EUR 1,641 thousand) and liabilities from trade tax of EUR 2,174 thousand (previous year: EUR 2,752 thousand).

8.23 Deferred tax

The change in deferred taxes is as follows:

	2023	2022
	TEUR	TEUR
Deferred tax assets	2,465	1,768
Deferred tax liabilities	−6,683	−5,506
Net deferred taxes at the beginning of the financial year	**−4,218**	**−3,738**
Deferred taxes from business combination pursuant to IFRS 3	0	−18
Disposals from deconsolidation of companies	0	0
Expense(−)/income (+) in the income statement	2,593	−462
Net deferred taxes at the end of the financial year	**−1,625**	**−4,218**
Deferred tax assets	3,818	2,465
Deferred tax liabilities	−5,443	−6,683

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 2023	**334**	**4**	**2,127**	**2,465**
Amounts recognised through profit or loss	755	0	598	1,353
As at 31 December 2023	**1,089**	**4**	**2,725**	**3,818**

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 loss carryforwards of EUR 1,024 thousand (previous year: EUR 828 thousand) and certain corporation tax loss carryforwards of EUR 200 thousand (previous year: EUR 153 thousand) as it is not sufficiently certain that these will be realised.

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 contract assets	Differences in investment property	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As at 1 January 2023	**−278**	**−455**	**−3,294**	**−592**	**−746**	**−1,318**	**−6,683**
Amounts recognised through profit or loss	5	−8	329	400	441	73	1,240
As at 31 December 2023	**−273**	**−463**	**−2,965**	**−192**	**−305**	**−1,245**	**−5,443**

8.24 Sales revenues

The Grounds Group's sales revenues, which relate exclusively to German companies, are broken down as follows:

	2023	2022
	TEUR	TEUR
Revenues from the sale of properties held for sale	21,458	33,277
Revenues from the sale of investment property	450	1,323
Rental income	1,972	1,872
Services	0	257
Other	16	22
Total	**23,896**	**36,751**

The rental income reported relates to net rent excluding utilities from The Grounds Group's operating leases within the meaning of IFRS 16.

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

	Property sales		Services	
	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR
Services for a point in time	2,783	13,921	0	0
Services over a period of time	19,125	20,679	0	257
Total revenue from contracts with customers	**21,908**	**34,600**	**0**	**257**

8.25 Changes in inventories

Changes in inventories of EUR 829 thousand in the 2023 financial year relate to work in progress (previous year: EUR 932 thousand).

8.26 Cost of materials

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

	2023	2022
	TEUR	TEUR
Cost of sold properties and construction costs for properties held for sale	12,493	26,071
Write-down on inventory property	3,250	0
Expenses from the sale of investment property	450	1,300
Expenses for raw materials and consumables used	1,467	1,297
Purchased services	2,974	3,196
Total	**20,634**	**31,864**

8.27 Staff costs

Staff costs break down as follows:

	2023	2022
	TEUR	TEUR
Salaries, other benefits	1,632	1,953
Social security, pensions and other employment benefits	202	190
Total	**1,834**	**2,143**

Social security, pensions and other employment benefits include pension expenses of EUR 0 thousand (previous year: EUR 1 thousand).

Expenses of EUR 216 thousand were recognised in the “Salaries, other benefits” item for share-based remuneration paid to managers in the 2023 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.

8.28 Other operating income

Other operating income includes the following amounts:

	2023	2022
	TEUR	TEUR
Revaluation of former shares	0	554
Reversal of capital reserves	316	0
Reversal of provisions	92	88
Gain on the disposal of fixed asset	22	0
Miscellaneous operating income	163	233
Total	**593**	**875**

8.29 Other operating expenses

Other operating expenses include the following amounts:

	2023	2022
	TEUR	TEUR
Costs for premises	64	42
Insurance, contributions and levies	127	48
Repairs and maintenance	56	60
Motor vehicle costs	75	67
Advertising and travel expenses	307	325
Legal and consultancy fees	590	210
Financial statements and audit costs	181	135
Losses on the disposal of fixed assets	0	4
Compensation costs	190	0
Non-deductible input tax	246	225
Third-party services	20	52
Stock exchange costs	68	81
Supervisory Board remuneration	68	68
Losses on receivables	62	51
Expenses of debt assumption	3,500	0
Miscellaneous operating expenses	590	501
Total	**6,144**	**1,869**

8.30 Financial result

Interest expense includes interest expenses from leases of EUR 20 thousand (previous year: EUR 25 thousand).

8.31 Income tax expense/income

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

	2023	2022
	TEUR	TEUR
Current income tax expenses/income	−1,081	64
Deferred income tax expense/income	2,593	−462
Total	**1,512**	**−398**

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	2023	2022
	TEUR	TEUR
Earnings before income taxes	−9,098	1,584
Income taxes determined on the basis of the parent company’s income tax rate	2,745	−478
Effect of		
... tax-exempt income/non-deductible expenses	−1,056	0
… non-recognition of deferred tax assets on loss carryforwards	−91	−64
... initial recognition of deferred tax assets on loss carryforwards	0	49
... consolidation entries through other comprehensive income	0	84
... other causes	−86	11
Income tax expenses/income	**1,512**	**−398**

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

8.32 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.

	2023	2022
Profit attributable to the parent company's shareholders (TEUR)	–7,028	1,170
Average number of shares issued	17,805,517	17,805,517
Basic earnings per share (EUR)	**–0.39**	**0.07**

No dividends were paid for the preceding financial year in the 2023 financial year. A dividend payment is not planned for the 2023 financial year either.

8.33 Consolidated Cash Flow Statement

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

Cash flow from (operating) activities is calculated using the indirect method and amounts to EUR –14,907 thousand (previous year: EUR –12,453 thousand). This includes income tax payments of EUR 2,778 thousand (previous year: EUR 140 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:

	2023	2022
	TEUR	TEUR
Opening balance	**80,104**	**60,747**
Cash changes	19,843	–8,398
Non-cash changes		
Changes in consolidated group	0	27,755
Closing balance	**99,947**	**80,104**

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

	31 Dec. 2023	31 Dec. 2022
	TEUR	TEUR
Cash	3,028	2,273
Cash funds at the end of the period	**3,028**	**2,273**

8.34 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 2023, this results in an obligation of EUR 14,459 thousand. In 2021, rights of withdrawal that can be exercised after the building right comes into effect were agreed for both parties in an addendum to the purchase agreement.

The Group's contingent liabilities are presented in section 8.15 Financial liabilities, section 8.16 Bonds and 8.19 Trade payables.

8.35 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. 2023	FVTPL* Equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
Equity investments	2	0	0	2	2
Trade receivables	0	2,568	0	2,568	2,568
Other receivables and assets	0	7,129	0	7,129	7,129
Total financial assets	**2**	**9,697**	**0**	**9,699**	**9,699**
Financial liabilities	0	0	72,678	72,678	72,678
Bonds	0	0	27,269	27,269	27,269
Advance payments received	0	0	1,474	1,474	1,474
Trade payables	0	0	4,993	4,993	4,993
Other liabilities	0	0	3,080	3,080	3,080
Total financial liabilities	**0**	**0**	**109,494**	**109,494**	**109,494**

* Fair value through profit or loss

31 Dec. 2022	Carrying amount FVTPL* Equity instruments	Financial assets at amortised cost	Other financial liabilities	Total	Fair value Total
	TEUR	TEUR	TEUR	TEUR	TEUR
Equity investments	152	0	0	152	152
Trade receivables	0	1,821	0	1,821	1,821
Other receivables and assets	0	6,479	0	6,479	6,479
Total financial assets	**152**	**8,300**	**0**	**8,452**	**8,452**
Financial liabilities	0	0	63,377	63,377	63,377
Bonds	0	0	16,727	16,727	16,727
Advance payments received	0	0	4,489	4,489	4,489
Trade payables	0	0	1,660	1,660	1,660
Other liabilities	0	0	6,635	6,635	6,635
Total financial liabilities	**0**	**0**	**92,888**	**92,888**	**92,888**

* Fair value through profit or loss

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

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 period 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 602 thousand (previous year: EUR 752 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 2023 and the previous year:

	Financial assets at amortised cost		Other financial liabilities	
	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR
Interest income	133	609	0	0
Interest expenses	0	0	−4,437	−2,488
Net earnings	**133**	**609**	**−4,437**	**−2,488**

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

b) Financial risks

The Group is exposed to various risks on account of its business activities. In particular, these include liquidity, default and interest rate risks. 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 refer to 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 2023	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	**99,947**	**89,125**	**2,500**	**8,322**
Trade payables	4,993	4,993	0	0
Other liabilities	3,080	2,946	134	0
Cash outflows from trade and other payables	**8,073**	**7,939**	**134**	**0**
Cash outflows for liabilities within the scope of IFRS 7	**108,020**	**97,064**	**2,634**	**8,322**

31 December 2022	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	**80,104**	**36,095**	**36,320**	**7,689**
Trade payables	1,660	1,660	0	0
Other liabilities	6,635	6,616	0	19
Cash outflows from trade and other payables	**8,295**	**8,276**	**0**	**19**
Cash outflows for liabilities within the scope of IFRS 7	**88,399**	**44,371**	**36,320**	**7,708**

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 3,028 thousand (previous year: EUR 2,273 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 2023, a 0.5% higher/lower interest rate on loans would have resulted in a EUR 500 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.

9 Events After the Reporting Period

The resolution adopted by the bond's creditors on 19 December 2023 to convert the convertible bond into a corporate bond with an extension of the maturity of the bond of at least three years under modified terms and conditions was implemented in February 2024.

By way of purchase agreement, Capstone Opportunities AG sold all shares in TGA Immobilien Erwerb 8 GmbH, and thus indirectly the shares in the investment accounted for using the equity method HAT 3 Projektentwicklungsgesellschaft, on 31 January 2024. Under this purchase agreement, The Grounds AG assumed a joint and several obligation to repay a loan of EUR 3,500 thousand.

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 (until 30 April 2023)
- Jacopo Mingazzini, Berlin, business graduate (Dipl.-Kfm.) and real estate economist

The total remuneration-granted for the work of the Management Board in the reporting period amounted to EUR 509 thousand (previous year: EUR 736 thousand). EUR 394 thousand (previous year: EUR 506 thousand) of this figure related to short-term fixed and variable remuneration for current Management Board work, while EUR 115 thousand (previous year: EUR 230 thousand) related to expenses from share-based remuneration granted in the reporting period. No provisions for bonuses were recognised in profit or loss in the financial statements. The share-based remuneration was 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 (until 3 July 2023)
- Dr Peter Maser, Stuttgart, lawyer, Chairman (since 4 July 2023)
- Armin H. Hofmann, Frankfurt/Main, lawyer and entrepreneur, Deputy Chairman (until 30 November 2023)
- Thomas Bergander, Berlin, business economist and financial economist, Deputy Chairman (since 1 December 2023)
- Eric Mozanowski, Stuttgart, businessman

Total remuneration granted for the work of the Supervisory Board amounted to EUR 70 thousand in the reporting period (previous year: EUR 68 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 share price of The Grounds 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.

As a member of the Management Board left before the end of the vesting period stipulated by the terms and conditions, 700,000 options in total expired.

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

Number of options	Outstanding as at 1 January	Expired/issued in the reporting year	Outstanding as at 31 December	Remaining term until vesting (months)
2020 tranche	1,400,000	–700,000	700,000	9
2021 tranche	200,00	0	200,000	12
Total	**1,600,000**	**–700,000**	**900,000**	

All stock options were issued on the same day in the reporting period. 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
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 8.27 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	
	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR
From services and other services exchanged – receivables				
Key management personnel	0	0	0	0
Other related parties	0	0	12	12
From associates	0	0	0	0
From services and other services exchanged – liabilities				
Other related parties	18	48	8	29
From financing arrangements – liabilities				
Key management personnel	6	6	56	0
Other related parties	119	25	7,134	1,061
From associates	84	100	2,529	3,277
From financing arrangements – receivables				
Other related parties	5	10	10	233
From associates	20	503	603	744

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 14 (previous year: 15) 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:

	2023	2022
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, 26 April 2024

Management Board of The Grounds Real Estate Development AG
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 2023, 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 2023 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 2023. 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 315e (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 2023 and its earnings situation for the financial year from 1 January to 31 December 2023, and

- as a whole, the attached Group management report 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 comply in all material respects 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 (e.g. manipulation of accounts, misappropriation of assets) 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 consistent in all material respects 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 fraud or error 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 in the consolidated financial statements and the Group management report, whether due to fraud or error, 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 of not detecting material misstatements resulting from fraud is higher than the risk of not detecting material misstatements resulting from error, as fraud may involve collusion, falsifications, deliberate omissions, misleading depictions or the override 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, structure and 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, supervising 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 significant deficiencies in the internal control system that we find during our audit.

Berlin, 26 April 2024

Buschmann & Bretzel GmbH
Wirtschaftsprüfungsgesellschaft

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

FINANCIAL CALENDAR

2024

Date to be determined	Annual General Meeting, Berlin
26 September	Publication of half-year report 2024

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

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

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The Grounds Real Estate Development AG
Management Board: Die Hoffotografen

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