THE GROUNDS

REAL ESTATE DEVELOPMENT AG

ANNUAL REPORT | 2024

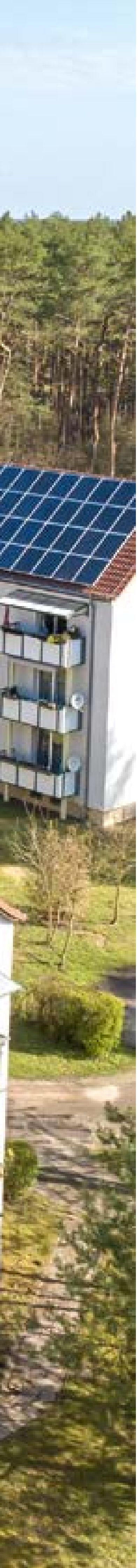
THE GROUNDS
REAL ESTATE DEVELOPMENT AG

ANNUAL REPORT
for the financial year 1 January to 31 December
2024

This annual report was published on 30 April 2025 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. 2024	31 Dec. 2023
Sales revenues	TEUR	12,894	23,803
… of which sales	TEUR	11,120	21,908
… of which rental income	TEUR	1,767	1,879
Earnings before interest and taxes (EBIT)	TEUR	−9,173	−4,797
Consolidated profits	TEUR	−13,556	−7,295
Earnings per share	EUR	−0,59	−0,40
Total assets	TEUR	168,326	148,126
Equity	TEUR	50,746	20,999
Equity ratio	%	30.1%	14.2%
Financial liabilities & bonds	TEUR	99,692	99,947
Loan to value (LTV)	%	51%	67%
Cash flow from operating activities	TEUR	−10,043	−14,880
Cash flow from investing activities	TEUR	−534	405
Cash flow from financing activities	TEUR	35,123	15,230
Employees		13	14

Portfolio key figures		31 Dec. 2024	31 Dec. 2023
Portfolio properties (Fixed assets)			
Living/usable space	m²	26,143	26,511
Units		414	421
Rental income p.a.	TEUR	1,644	1,729
Portfolio development (Current assets)			
Living/usable space	m²	1,560	2,304
Units		11	20
Rental income p.a.	TEUR	129	156
Property development			
Planned living/usable space	m²	129,872	175,045
Planned living/usable space in joint venture projects	m²	0	10,322

Overview of The Grounds shares (Xetra prices)		2024	2023
Market capitalisation (as at 31 Dec.)	TEUR	58,357	14,779
Share capital (as at 31 Dec.)	TEUR	49,455	17,806
Closing price	EUR	1.18	0.83
Share price low	EUR	0.94	0.68
Share price high	EUR	1.69	1.94
ISIN		DE000A40KXL9	
Segment		Primary market, Düsseldorf Stock Exchange	

LETTER TO THE SHAREHOLDERS

Dear Shareholders,
Dear Ladies and Gentlemen,

JACOPO MINGAZZINI
CEO

Jacopo Mingazzini (Dipl.-Kfm. and Real Estate Economist ebs) has been member of the Company's Executive Board since August 2020.

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

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

in the report on the first half of 2024, we were able to observe that two of the factors that had significantly burdened the German real estate sector in 2023 have somewhat receded into the background: key interest rates were cut multiple times, and inflation rates declined noticeably. This also applied to the second half of the financial year. However, the continued absence of an economic upswing in Germany, along with geopolitical risk factors – such as the ongoing war in Ukraine and developments in the United States following the presidential election in November 2024 – continued to create a market environment that posed significant challenges for many real estate companies. This primarily affected project development and residential unit privatisation, each of which represents a significant part of The Grounds' business activities. Especially private buyers of residential units or single-family homes remained very cautious.

Against this backdrop, The Grounds' operating performance in 2024 also fell short of the original expectations and plans, with annual revenue and earnings only reaching the levels outlined in the revised forecast from August 2024. Revenue

ANDREW WALLIS
CFO

Andrew Wallis (MBA, CFA) has been Chief Financial Officer (CFO) of The Grounds Real Estate Development AG since March 2025.

Previously, he worked for Merrill Lynch, JP Morgan and HSBC, among others, and served as Deputy CEO of Aroundtown S. A. in Berlin from 2014 to 2020.

Since 2020, he has worked as a consultant on M&A projects and operational restructuring mandates, taking on interim management and board functions on several occasions.

totalled EUR 12.9 million, significantly below the previous year's figure of EUR 23.9 million, with the majority generated by the successful completion of the two development projects Maggie in Berlin and Property Garden in Magdeburg. Both projects contributed over EUR 8.0 million to annual revenue, which also included privatisation proceeds of around EUR 1.5 million from further sales of residential units.

The fact that signs of stabilisation were emerging in the real estate market – at least in terms of price development – is reflected in The Grounds' annual financial statements by the significantly lower fair value adjustments to investment properties, which totalled only EUR 258 thousand in 2024 compared to approximately EUR 1.3 million in the previous year. Nevertheless, consolidated EBIT stood at minus EUR 9.2 million, significantly below the previous year's figure (EUR –4.8 million). Overall, The Grounds ended the 2024 financial year with a consolidated loss of EUR 13.6 million.

The still challenging market environment and the unsatisfactory development of operating business were offset by a significant improvement in the financing structure, which enabled The Grounds to create an important prerequisite for the continued implementation of ongoing projects – and, above all, a solid foundation for further growth. After H.I.G. Capital had already provided EUR 10 million in financing for The Grounds in the previous year and subsequently increased this to EUR 17 million, the strategic partnership initiated through this arrangement was formally cemented at the equity level in the second half of 2024. A key milestone in this regard was the Annual General Meeting of the company held on 19 September 2024, at which the shareholders approved the corresponding capital measures, which were then implemented as planned in the fourth quarter. Following a capital reduction, a fund managed by H.I.G. Capital became the new majority shareholder in The Grounds as part of the subsequent capital increase. The issuance proceeds generated in this context were partially used during the reporting year for the acquisition of two portfolios comprising detached, semi-detached and terraced houses in Potsdam-Fahrland and Werder (Havel).

We assume to be able to build on this development in 2025 and realise further acquisitions. Furthermore, The Grounds expects annual revenue of between EUR 9 million and EUR 11 million in the current year, along with a break-even consolidated EBIT. Effects from further acquisitions as well as revenue and earnings contributions from the Terra Homes, Börde Bogen and Central Offices development projects were not included in the forecast, as these are not expected to materialise until the 2026 financial year.

We therefore look ahead to the coming months with confidence and would be pleased if you, as our shareholders, continue to accompany The Grounds on its journey. We would like to express our sincere thanks for the trust you have placed in us – a trust that was clearly demonstrated, not least, by the smooth implementation of last year's capital measures. The Management Board also extends its sincerest gratitude to all employees of The Grounds for their continued dedication and personal commitment.

Berlin, April 2025

The Management Board

Jacopo Mingazzini	Andrew Wallis
Chief Executive Officer	Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

the crisis-related developments that overshadowed 2023 and led to a slight recession in Germany also had a variety of effects in the 2024 financial year. Once again, numerous property companies ran into financial difficulties and – as in the previous year – a large number of insolvencies were recorded. However, the interest rate level decreased multiple times over the course of the year, and following the partly significant declines in property prices since 2022, there was a noticeable stabilisation of price levels in several sub-markets and locations, partly transitioning to a sideways trend and partly with initial price increases.

In this yet challenging market environment, The Grounds continued to perform solidly, announcing, for example, the successful sale of all flats in its 'Maggie' project in Berlin-Lichtenberg in April 2024. A significant and decisive contribution to the resilient corporate development in a challenging environment was provided by the strategic cooperation with the British investment company H.I.G. Capital, which, already in October 2023, provided The Grounds with bridge financing of 10 million euros through a fund managed by H.I.G. Capital and, additionally, secured the option to carry out a capital increase by acquiring the subscription rights of the current major shareholders. The implementation of this capital increase, which was approved by the Company's shareholders at the Annual General Meeting on 19 September 2024 and completed in December 2024, represents an important milestone in the development of The Grounds and intensified H.I.G. Capital's commitment as a strategic investor in the Company.

Naturally, a large proportion of the Supervisory Board's joint deliberations with the Management Board in the reporting year related to these matters. The continuous dialogue on the Group's financial and liquidity position was also a major focus of the joint discussions with the Management Board in 2024. Furthermore, as in previous years, the Supervisory Board regularly addressed the current status of planned and ongoing projects, the target-actual comparison regarding budget, scheduling and marketing progress as well as developments in the German real estate market and their potential impacts on The Grounds. The work of the Supervisory Board intensified once again, as can be seen from the further increase in the number of meetings.

In the year under review, the Supervisory Board of The Grounds Real Estate Development AG performed all its duties in accordance with the law, the articles of association and the rules of procedure with due care. The Supervisory Board advised the Management Board on the management of The Grounds and The Grounds Group and monitored its activities. The Supervisory Board was consistently satisfied with the legality, appropriateness and propriety of the Management Board's work and was comprehensively informed by the Management Board. This applies both to information provided at regular meetings and to verbal information provided outside of meetings. During 2024, the Management Board informed all companies within the Group about the respective business developments, strategy, planning and, in particular, financial and liquidity planning. This also applies to 2024 regarding information on the risk profile and risk development of individual projects. The Management Board and Supervisory Board regularly exchanged information and ideas on important 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 granted its approval for individual business transactions where required by law, the articles of association or the rules of procedure.

Composition of the Management Board and the Supervisory Board

There were no changes to the Management Board of The Grounds in the reporting year. Jacopo Mingazzini remained the sole member of the Management Board throughout the year.

In 2024, the Supervisory Board continued to consist of Chairman Dr Peter Maser, Thomas Bergander as his deputy and Eric Mozanowski as a member.

After the end of the reporting year, the Company announced on 22 January 2025 that Thomas Bergander and Eric Mozanowski had stepped down from the Supervisory Board following the successful completion of the capital measures in the fourth quarter of 2024 and that Stelios Theodosiou, Managing Director at H.I.G. Realty Partners, London, and Daniel Wöhler, Director and Head of DACH at H.I.G. Realty Partners, London, had been appointed to the Supervisory Board of The Grounds in their place.

Work of the Supervisory Board in the reporting year

In the reporting year, the Supervisory Board held 6 ordinary Supervisory Board meetings on 15 January, 4 March, 26 April, 17 June, 18 July and 25 October, with all members of the Supervisory Board present at all times. The meetings were held partly as video conferences and partly as face-to-face meetings together with the Management Board. Furthermore, representatives of the auditor Buschmann & Bretzel GmbH Wirtschaftsprüfungsgesellschaft attended the Supervisory Board meeting on the financial statements for the 2023 financial year on 26 April 2024 as guests.

The Supervisory Board also passed six resolutions by circular resolution, which mainly related to the implementation of the capital increase, financing and the conclusion of purchase and sale agreements for property projects. In addition to the aforementioned reports and topics, the Supervisory Board's meetings also dealt with liquidity planning, the forecast for 2025, the preparation and debriefing of the 2024 Annual General Meeting and the acquisition of two residential property portfolios in Potsdam-Fahrland and Werder (Havel).

Annual and consolidated financial statements as at 31 December 2024

At the Annual General Meeting on 19 September 2024, the shareholders elected RSM Ebner Stolz Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft GmbH & Co. KG, Hamburg, as the auditor and Group auditor for the 2024 financial year (hereinafter RSM Ebner Stolz). The auditor audited the annual financial statements prepared by the Management Board in accordance with the German Commercial Code (HGB), as well as the consolidated financial statements prepared in accordance with IFRS, together with the Group management report, and issued an unqualified audit opinion for each.

The aforementioned financial statement documents, including the auditor's reports, were discussed in detail at the Supervisory Board meeting on 28 April 2025 in the presence of representatives of the auditor RSM Ebner Stolz. The necessary documents had been submitted to all members of the Supervisory Board in good time before this meeting. The auditor reported on the scope, progress and key findings of the audit and was available to answer questions and provide additional information. He focussed specifically on previously defined key audit areas. The auditor further reported that there were no significant weaknesses in the internal control and risk management systems with respect to the financial/accounting reporting process, and that the Management Board had duly fulfilled all its related responsibilities in an appropriate manner.

Following its own review of all financial statement documents for the 2024 financial year, the Supervisory Board had no objections to raise and approved the result of the audit by the auditor. On 28 April 2025, the Supervisory Board approved the annual financial statements and the consolidated financial statements of The Grounds for the 2024 financial year prepared by the Management Board. The 2024 annual financial statements are thus adopted in accordance with Section 172 of the German Stock Corporation Act (AktG).

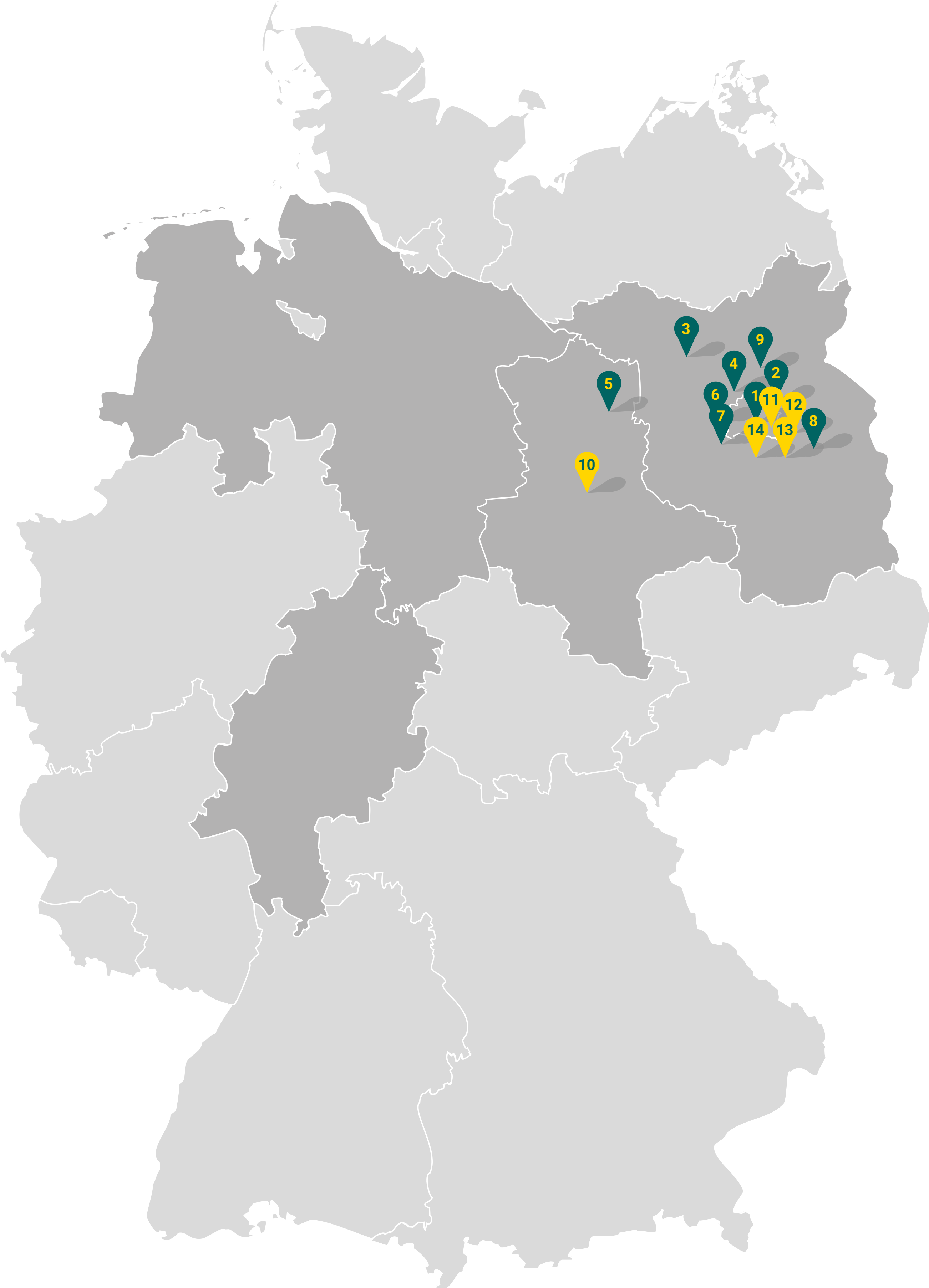
The Supervisory Board has reviewed and approved the dependency report on relationships with affiliated companies prepared by the Management Board in accordance with Section 312 AktG. Following the final result of its review, the Supervisory Board raised no objections to the declaration by the Management Board at the end of its report in accordance with Section 312 AktG. The auditor did not raise any objections in his audit of this report; the audit result is consistent with the findings of the Supervisory Board.

Another item on the agenda at the meeting on 28 April 2025 was this report by the Supervisory Board.

The Supervisory Board would like to thank the Management Board and all employees of The Grounds Group for their commitment and significant level of personal dedication during the 2024 financial year.

Berlin, 28 April 2025

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 holds a steadily growing residential property portfolio as fixed assets. The Grounds Real Estate Development AG is listed in the 'Primary Market' segment of the Düsseldorf Stock Exchange's over-the-counter market, as well as in the open market of the Frankfurt Stock Exchange with trading of its shares on Xetra and on the Tradegate Exchange.

REGIONAL OVERVIEW

1 Berlin
Investment property

2 Bernau
Investment property

3 Fehrbellin
Investment property

4 Kremmen
Investment property

5 Stendal/Prignitz
Investment property

6 Dallgow-Döberitz
Portfolio development

7 Potsdam-Fahrland
Portfolio development

7 Werder (Havel)
Portfolio development

8 Rauen
Portfolio development

9 Schorfheide
Portfolio development

10 Magdeburg
Property development

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

11 Berlin
Property development

12 Erkner
Property development

13 Königs Wusterhausen
Property development

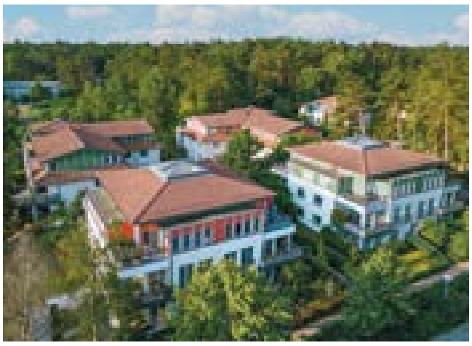
14 Blankenfelde-Mahlow
Property development
(Joint Venture)

PORTFOLIO OVERVIEW

Our rental portfolio properties

Berlin-Lichtenberg

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



Bernau

- 59 residential units
- Usable space: 4,355 m²

Fehrbellin

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

Kremmen

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

Stendal/Prignitz

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

Portfolio development

Condominiums and terraced houses for investors and owner occupiers

Dallgow-Döberitz

6

- 11 residential units*
- Usable space: 1,560 m²*
- In the sales process

Potsdam-Fahrland

7

- 55 residential units
- Usable space: 5,355 m²
- Notarised**

Rauen near Fürstenwalde

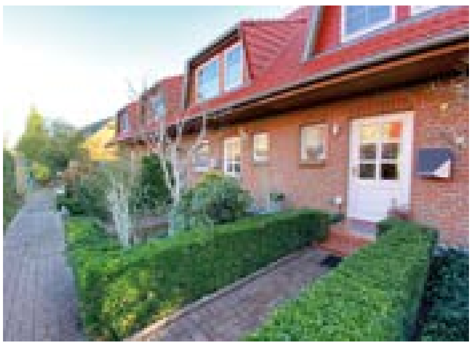
8

- 27 residential units
- Usable space: 1,565 m²
- In the sales process

Schorfheide near Eberswalde

9

- 38 residential units
- Usable space: 2,155 m²
- In the sales process



Werder (Havel)

7

- 24 residential units
- Usable space: 2,315 m²
- Notarised**

* Areas and units refer to the units not yet economically transferred/transitioned as at 31 December 2024.

** Purchase agreement notarised in December 2024, planned economic transfer/transition in 2025.

Property development

Our property development projects

Central Offices in Magdeburg

10

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

Maggie in Berlin-Lichtenberg

11

- 27 units
- Usable space: 1,859 m²
- Completed in 2024
- Sold

Property Garden in Magdeburg

10

- 64 units
- Usable space: 3,637 m²
- Completed in 2024
- Sold

Terra Homes in Erkner

12

- 34 homes
- Usable space: 4,279 m²
- Under construction
- In the sales process

Betty in Königs Wusterhausen

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

Joint ventures
Joint development of property

Börde Bogen in Magdeburg
10

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

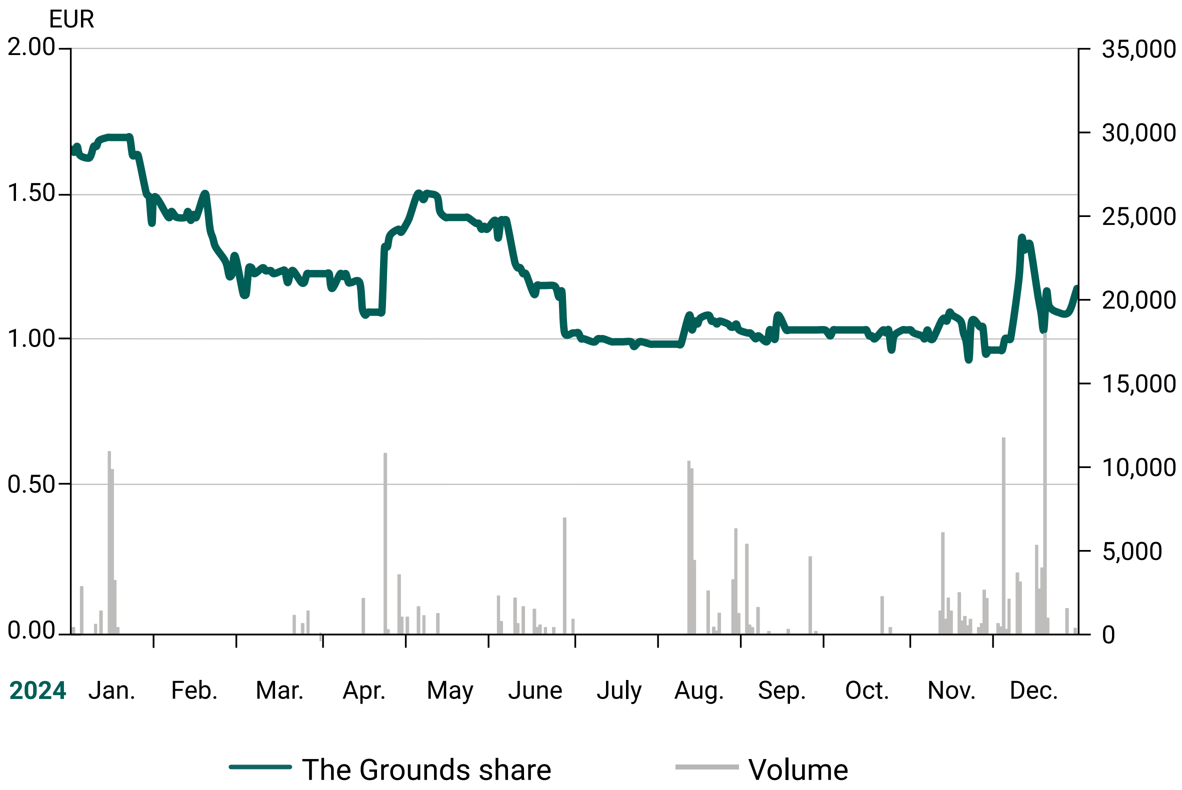
Highfly in Blankenfelde-Mahlow
14

- 186 terraced houses
- Gross floor space: 33,956 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)

THE GROUNDS ON THE CAPITAL MARKET

Development of The Grounds Share from 1 January to 31 December 2024 (Xetra prices)*



In 2024, the German stock markets presented a very mixed picture overall, with the shares of large companies tending to perform better than those of smaller and medium-sized companies. As in the previous year, the main indices were at times subject to considerable fluctuations over the course of the year.

The DAX leading index, comprising the forty largest companies in Germany, had reached a new record level of around 16,700 points at the end of the previous year. It continued its upward trend nearly uninterrupted in the first quarter of the reporting year. On 28 March 2024, it reached a new all-time high of 18,498 points, which was followed by several further historic highs over the course of the year (after interim correction phases). In December, it traded at more than 20,300 points for several days and finally ended the year at 19,895 points – an increase of almost 19%.

* For reasons of comparability, the share prices include the full-year presentation of the capital reduction carried out (see also section 8.14 in the notes to the consolidated financial statements)

In contrast, the MDAX, which includes the 50 companies that rank below the DAX stocks in terms of market capitalisation and stock market turnover, closed 2024 with a loss of just over 5%. Although the initial level was slightly exceeded several times throughout the year, it was followed by significant declines in the index. Despite the small-cap index SDAX (comprising the 70 next smallest stocks after the MDAX stocks) also recording a loss for 2024 as a whole, this was significantly lower than the MDAX at just under 2%.

Property shares were initially in relatively high demand among investors in 2024. The DIMAX sector index, which comprises the main property companies in Germany, meaning it's a more important guide for all property companies than the indices in the DAX family, rose by a good 22% to just under 105 points by mid-October (but fell significantly in the following weeks). At around 92 points at the end of the year, it was six points, or 7% higher than at the start of the year (around 86 points).

It's worth noting that the performance of the DIMAX is strongly influenced by a number of companies with high market capitalisation. Smaller property companies with a lower market capitalisation, including The Grounds, saw their share prices deviate significantly from the performance of the index in 2024. The Grounds share price at the beginning of the year was EUR 1.65, taking into account the capital reduction described in more detail in

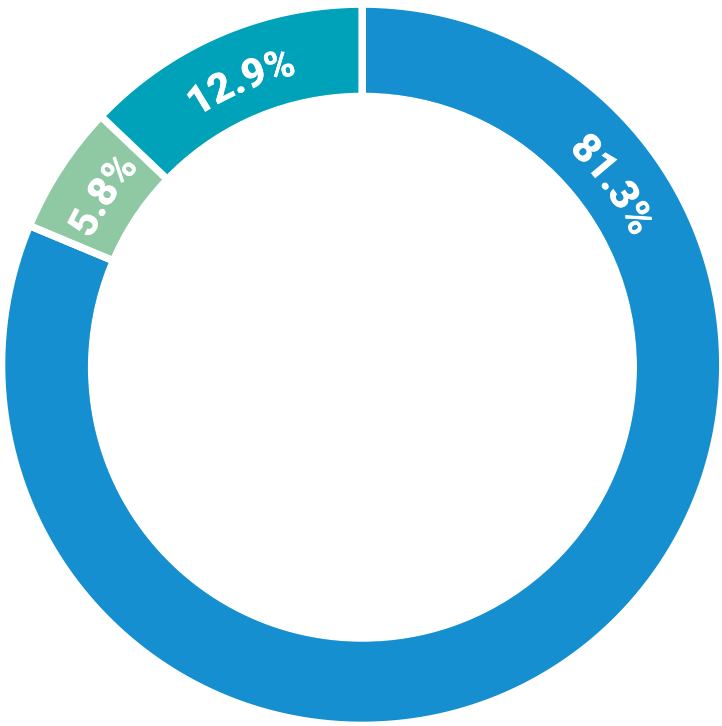
The Grounds Share at a Glance

ISIN / WKN	DE000A40KXL9 / A40KXL	
Market segment	Primary market, Düsseldorf Stock Exchange	
Markets	Xetra Tradegate OTC in Berlin, Frankfurt, Munich, Stuttgart	
Type of shares	Registered share with no par value	
Number of shares as at 31 Dec.	49,454,740	
	2024	**2023**
Share price at the end of the financial year*	EUR 1.18	EUR 0.83
Percentage change in year	−28.9%**	−57.2%
Market capitalisation as at 31 December	EUR 58,356,593	EUR 14,778,579
Annual high*	EUR 1.69	EUR 1.94
Annual low*	EUR 0.94	EUR 0.68

* Prices on Xetra trading system of Deutsche Börse AG
** For reasons of comparability, the share prices include the full-year presentation of the capital reduction carried out (see also section 8.14 in the notes to the consolidated financial statements)

section 8.14 of the notes to the consolidated financial statements. The months following were largely characterised by falling prices, while interim price gains in the course of the second quarter proved to be unsustainable. This is likely to have reflected not only the generally challenging market environment for companies in project development and privatisation but also the declining revenue and financial performance of The Grounds, as well as the revised annual forecast in August 2024. After completion of the capital reduction and the subsequent capital increase, the share was quoted at EUR 1.18 at the end of the reporting year. This results in a share price loss of 28.9% for 2024; since the implementation of the capital increase on 18 December 2024, the share price has risen by around 18%.

Shareholder structure (as at December 2024)

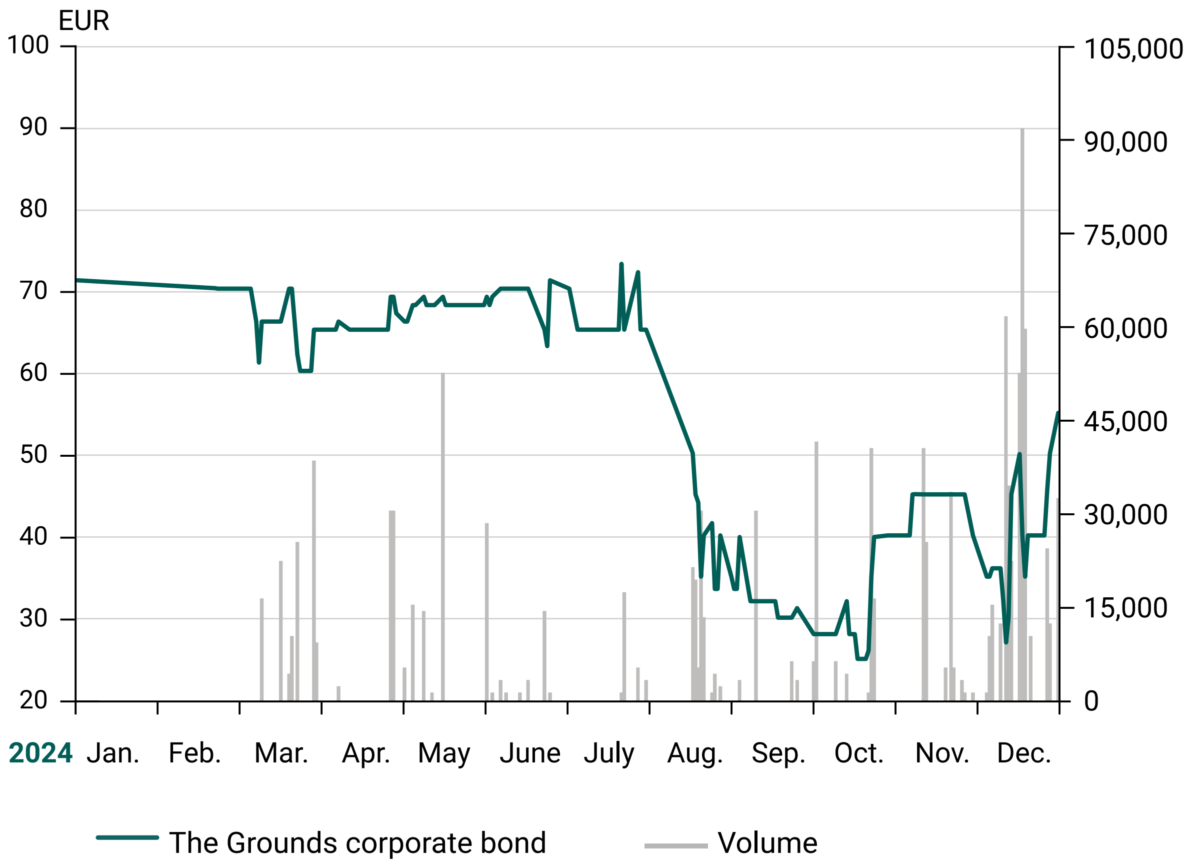


- Tempus Holdings 112 S.à r.l. (a fund managed by H.I.G. Capital Group)
- Millennium Verwaltungs GmbH
- Free float

total: 49,454,740 shares

The Grounds corporate bond until 18 February 2027 (ISIN DE000A3H3FH2)

Development of The Grounds corporate bond from 1 January to 31 December 2024 (Frankfurt prices)



The original convertible bond of The Grounds – which, with the consent of the creditors, was converted into a fixed-rate corporate bond in February 2024 and modified in autumn 2024 into a zero-coupon bond until 2027 – was quoted at 71% of its nominal value at the end of the previous year. At the end of 2024, its share price was around 55% (and thus around 23% lower). As in the previous year, price performance in 2024 was again characterised by a significant market squeeze, meaning that even low revenue led to relatively sharp price changes in some cases.

GROUP MANAGEMENT REPORT 2024

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 'Primary Market' segment of the Düsseldorf Stock Exchange's over-the-counter market (Freiverkehr or OTC), as well as in the open market of the Frankfurt Stock Exchange with trading of its shares on Xetra and, additionally, 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, housing key central functions, such as legal affairs, accounting, taxes, controlling, HR, sales, financing, risk management, transaction management, as well as commercial and technical asset management.

The Group is structurally divided into additional subgroups and property companies, each of which own real estate portfolios and is included in the consolidated financial statements. (Complete overview of the individual group and investees in the notes to the consolidated financial statements)

In view of the small size of the Company, reporting by segment is not planned.

The key financial performance indicators used for corporate management are revenue and consolidated earnings before interest and taxes (EBIT), which include both the result from the sale of properties and the result from the management of the portfolio.

Non-financial performance indicators also play a role in the management system. In the management of the existing portfolio, these are factors such as the development of rents or the development of the vacancy rate. For individual sales, reservations and the number of viewings (for example) serve as early indicators for the development of the business.

1.3 Business model

The Grounds realises residential projects in German metropolitan regions and in cities with positive population growth and good economic prospects. As described at the beginning, the core business of The Grounds essentially consists of various components. For one, The Grounds aims to generate sustainable, reliable income that contributes to increasing the value of the property portfolio. However, The Grounds also counts on being able to achieve attractive sales results from the privatisation business and project development.

The Grounds' business model thus combines – with the exception of special situations – the generally high returns from property development with the stable income situation from managing its own holdings.

The following tables present the existing portfolio, the development projects and the inventory properties designated for individual sale as at the balance sheet date.

Investment property

Location	Project	Units	Usable space	Rental income p.a. (31 December 2024)
			m²	TEUR
Stendal and surrounding area	Residential	220	14,387	747
Schorfheide (Eberswalde)	Residential	38	2,066	123
Rauen (Fürstenwalde)	Residential	27	1,554	86
Bernau	Residential	59	4,114	334
Kremmen	Residential	24	1,430	109
Fehrbellin	Residential	24	1,503	92
Margaretenstr. (Berlin)	Residential	22	1,089	153
Total		**414**	**26,143**	**1,644**

*excluding non-current assets held for sale

Property development

Project name	Location	Project	Usable space/ gross floor space	Type	Status
			m²		
Central Offices	Magdeburg	Commercial	17,140[1]	Development/ forward sale	Building permit obtained, in the sales process
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, building permit obtained
Betty	Königs Wusterhausen	Residential	6,640	Development/ forward sale	In planning

[1] Gross floor space

Portfolio development

Location	Project	Units (31 Dec. 2024)	Usable space	Rental income p.a. (31 Dec. 2024)	Sale completion status*	Type
			m²	TEUR		
Dallgow-Döberitz	Residential	11	1,560	129	68%	Retail sale
Total		**11**	**1,560**	**129**		

* Notarised as at Q1-2025

1.4 Executive bodies and employees

Throughout the 2024 financial year, Jacopo Mingazzini acted as the sole member of the Management Board of The Grounds.

In the reporting year, the Supervisory Board continued to consist of Chairman Dr Peter Maser, Thomas Bergander as his deputy and Eric Mozanowski as a member.

On 16 January 2025, Stelios Theodosiou, Managing Director at H.I.G. Realty Partners, London, and Daniel Wöhler (now Deputy Chairman), Director and Head of DACH at H.I.G. Realty Partners, London, were newly appointed to the Supervisory Board of The Grounds Real Estate Development AG. In return, Eric Mozanowski and Thomas Bergander have resigned from the Supervisory Board.

The Supervisory Board of The Grounds Real Estate Development AG has appointed Andrew Wallis as Chief Financial Officer (CFO) with effect from 1 March 2025. Andrew Wallis will manage the Company together with Jacopo Mingazzini.

The number of employees at The Grounds fell slightly in the reporting year. On average, The Grounds Group had a total of 13 employees during the 2024 financial year (previous year: 14).

2 Economic Report

2.1 Macroeconomic development

The German economy once again failed to grow in 2024. Price and calendar-adjusted gross domestic product fell by 0.2% compared to the previous year. This was due to economic and structural burdens, which, according to the German Federal Statistical Office, included increasing competition for the German export industry in important sales markets, high energy costs, the persistently high level of interest rates and an uncertain economic outlook.

Overall higher gross value added in the services sector was offset by significant declines in manufacturing and construction. Gross fixed capital formation fell by 2.8% compared to the previous year. The decline was particularly sharp in the residential construction sector, where investment fell for the fourth year in a row. Positive impetus came from consumption, with consumer spending by private households increasing only slightly by 0.3% in price-adjusted terms, while government spending rose much more strongly by 2.6%.

Against the backdrop of the recessionary trend, the unemployment rate in Germany increased over the course of the year and stood at 6.0% at the end of 2024, 0.3 percentage points higher than a year earlier. Nevertheless, the total number of people in employment reached another all-time high, with an increase of 72,000 people, or 0.2%, to an annual average of 46.1 million. Compared to previous years, however, momentum in this area weakened considerably.

Consumer prices in Germany rose by an average of 2.2% in 2024 compared to the previous year. The inflation rate in the reporting year was therefore significantly lower than in the three previous years. The price of services rose particularly sharply with an annual average price increase of 3.8%, while the overall price of goods only rose by 1%. By contrast, prices for energy products, which had risen significantly in previous years, fell by 3.2%.

2.2 Sector development

Following a massive slump in transaction volumes on the German property investment market in the previous year, investment activity increased significantly again in 2024, to which the multiple reductions in key interest rates by the European Central Bank are likely to have made a significant contribution. According to market analyses by the international investment management and consulting company JLL, the transaction volume in the reporting year totalled around 35.3 billion euros, 14% higher than in the previous year. Particularly noteworthy was the significant upturn in the fourth quarter, which, according to JLL, not only contributed around a third of the total annual turnover, with a transaction volume of EUR 11.8 billion, but was also the strongest single quarter in terms of turnover for two years. Around 30% (and therefore the largest share) of the annual transaction volume was attributable to the living segment – which includes student and retirement properties along with residential properties – followed by logistics and industrial properties with a share of 22% and retail and office properties with 16% and 15%, respectively.

Looking at the residential property segment separately, JLL estimates a transaction volume of EUR 9.84 billion for 2024. At 20.6%, the increase here was thus even stronger than in German property investment as a whole. With a transaction volume of EUR 3.57 billion, the fourth quarter also proved to be particularly strong compared to the three previous quarters. For the second half of 2024, JLL also stated that the average transaction size will almost double to EUR 55 million due to a larger number of large-volume transactions.

With regard to the buyer structure, JLL registered a diversification, with asset and fund managers representing the largest group of buyers with a share of 44%, followed by housing companies with 21% and municipal or non-profit housing companies with 19%. In contrast, listed property companies, with one exception, were only active as sellers. At 36.7%, the share of supra-regional portfolio transactions was below the long-term average of 58.1%. More capital was invested outside the Big 7 locations. At 43.9%, the share of the Big 7 cities was well below the five-year average of 54.4%.

The number of residential building permits issued fell for the third time in a row in 2024. According to the German Federal Statistical Office, around 215,900 new flats were approved across Germany. Compared to 2023, this was 43,700 flats or 16.8% fewer. The last time a lower number of flats was approved was in 2010, when 187,600 units were approved. As expected, the decline in the number of building permits is also reflected in the lower number of completed flats.

Having already fallen by 0.3% to 294,000 residential units in Germany in 2023, JLL believes that a further decline to around 200,000 units is still possible in 2024; the official statistics for 2024 were not yet available at the editorial deadline of this management report.

Against this backdrop, JLL believes that the German residential market in 2024 will be characterised by a serious imbalance between high demand and a shortage of supply, particularly in large cities and metropolitan regions. The housing shortage is continuing to worsen and is being exacerbated by the declining number of completions and rising demand.

In the second half of 2024, JLL observed subdued but still positive momentum on the rental flat market in the eight largest German metropolises of Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Leipzig, Munich and Stuttgart. The average year-on-year increase in asking rents of 4.9% represents a slowdown compared to the first half of 2024 (6.3%) and the previous year (8.2%).

Regarding purchase prices for residential property, JLL registered clear signs of stabilisation in the second half of 2024 and assumes that the phase of price corrections in the two previous years appears to have largely come to an end. Following an average decline of 7.5% in the previous year, advertised purchase prices for existing and new-build flats fell only slightly by 0.8% in 2024. There were still slight declines in some cities, while rising prices were already registered in Hamburg (+2.5%), Cologne (+2.4%), Frankfurt (+1.9%) and Leipzig (+0.7%).

2.3 Legal framework

A significant change in the legal framework during the reporting year resulted from the Growth Opportunities Act, passed by the Bundestag with the approval of the Bundesrat at the end of March 2024. Among other provisions, it introduced a degressive depreciation scheme for newly built residential properties, intended to stimulate investment in the residential construction sector. It provides a degressive depreciation rate of 5% for a total of six years for new residential buildings from an efficiency standard of 55, which is intended to supplement the increase in straight-line depreciation from 2 to 3%.

Further legislative projects to simplify and accelerate housing construction – particularly the amendment to the German Building Code – as well as regulatory market interventions (such as the extension of the rent freeze) were also planned. However, they could not be implemented before the end of the reporting period due to the end of the coalition between the SPD, Greens and FDP in autumn 2024.

3 Business Performance

Initially, the Company's 2024 financial year, like the previous year, was characterised by continued consolidation.

In April, the Maggie property development project was successfully completed with the sale of the final residential unit. The new construction project was completed in December 2024. The 'Property Garden' new-build project in Magdeburg was also completed in the financial year. The flats had already been fully sold before construction began.

In contrast, the sale of residential units in the portfolio development continued its course hesitantly. The economic transfer of the seven residential units in Meppen, which were sold in 2023, took place in the financial year. In the Dallgow-Döberitz project, however, only two further units were sold.

To advance the financing of investments in ongoing projects while also establishing a strong position for the future, The Grounds entered into a bridge financing agreement with the UK-based H.I.G. Capital in October 2023 in the amount of EUR 10.0 million. This agreement was accompanied by the expectation that H.I.G. Capital would participate in a substantial capital increase in 2024. The necessary conversion of the existing convertible bond into a bond without conversion rights with a corresponding maturity extension on modified terms was resolved by the bondholders towards the end of 2023 and implemented in the reporting year. By transferring the subscription rights of the current main shareholders, H.I.G. had secured the option to carry out a capital increase, which was resolved by the Company's Annual General Meeting on 19 September 2024 and implemented in December 2024. As part of this capital increase, a fund managed by H.I.G. Capital invested around EUR 40 million in The Grounds.

Following the capital increase, the first purchase was realised again in December 2024, involving a single-family home portfolio with a total of 79 terraced and semi-detached houses in Potsdam-Fahrland and Werder (Havel).

3.1 Earnings

The most important revenue and earnings figures for The Grounds Group in the 2024 financial year were as follows:

	2024	2023
	EUR million	EUR million
Revenues	12.9	23.8
EBIT	−9.2	−4.8
Consolidated profits	**−13.6**	**−7.3**

In 2024, The Grounds generated revenue of EUR 12.9 million and thus once again recorded a significant decline in revenue compared to the previous year (EUR 23.8 million). This was due in particular to a lower volume of sales in property and portfolio development, especially individual privatisation.

In line with The Grounds' business model, revenue is generated from three different sources: construction work on project developments, privatisation proceeds and rental income from portfolio properties. The majority of revenue (EUR 8.1 million) resulted from the two development projects completed in the reporting year: Maggie in Berlin and Property Garden in Magdeburg, which were accounted for using the percentage-of-completion method. Furthermore, privatisation proceeds of around EUR 1.5 million were generated from further sales of residential units in Dallgow-Döberitz (EUR 1.0 million) and Am Hasenknie (EUR 0.5 million).

Rental income totalled EUR 1.8 million. The decrease compared to the previous year (EUR 1.9 million) is due to a higher vacancy rate resulting from natural fluctuation in the Berlin neighbourhood portfolio, which was not relet due to preparations for individual sales.

Other operating income, which amounted to approximately EUR 0.7 million (previous year: EUR 0.6 million), primarily reflects the deconsolidation of the subsidiary TGA 8 with the at-equity investment Terminal 3, which led to other operating income of EUR 0.4 million.

The decline in revenue only partially impacted profit, as the reduced construction activity was accompanied by lower cost of materials. This amounted to EUR 17.6 million in 2024 after around EUR 20.6 million in the previous year and includes an impairment loss of EUR 4.22 million for a project in Blankenfelde-Mahlow.

At EUR 1.6 million, staff costs were around EUR 0.2 million lower than in the previous year (EUR 1.8 million), mainly due to the departure of the second member of the Management Board in the previous financial year.

Adjustments to the value of investment properties, which still had a negative impact of around EUR 1.3 million on profit or loss in the previous year, totalled only EUR 258 thousand in the reporting year. At EUR 2.2 million, other operating expenses were also lower than in the previous year, which had been affected by a one-off item (EUR 6.1 million).

Depreciation and amortisation of intangible assets and property, plant and equipment includes a one-off effect from the impairment of goodwill in the amount of EUR 1.9 million.

This resulted in EBIT of minus EUR 9.2 million in 2024. In the previous year, EBIT totalled minus EUR 4.8 million.

Net finance costs remained negative at EUR 3.3 million in 2024 (previous year: EUR 4.0 million). Interest income increased from EUR 133 thousand in the previous year to EUR 3.0 million, mainly due to interest income in connection with the conversion of a corporate bond into a zero-coupon bond. Interest expenses increased from EUR 4.4 million in the previous year to EUR 6.6 million, which was mainly due to the increase in financing provided by H.I.G. to EUR 17 million.

Overall, The Grounds ended the 2024 financial year with a loss for the period of EUR 13.6 million, of which EUR 10.7 million was attributable to the owners of the parent and EUR 2.9 million to non-controlling interests.

3.2 Financial and asset position

Compared to the previous year, The Grounds' total assets increased by around EUR 20.2 million to EUR 168.3 million. This is mainly due to the significant increase in cash and cash equivalents and subscribed capital as a result of the capital increase implemented in December 2024.

On the asset side of the balance sheet, non-current assets declined to EUR 38.9 million (previous year: EUR 43.8 million). The main reasons for this were, on the one hand, the full impairment of goodwill – recognised as a precaution in light of current market conditions – from the reverse business combination in 2017 as well as the business combination involving Capstone Opportunities GmbH in 2020, whose carrying amount had still been EUR 1.9 million in the previous year; and on the other hand, the disposal of shares in TGA Immobilien Erwerb 8 GmbH, and indirectly of the equity-accounted interest in HAT 3 Projektentwicklungsgesellschaft mbH, which had a value of EUR 2.3 million as at the previous balance sheet date.

Current assets increased by EUR 25.0 million to EUR 129.4 million (previous year: EUR 104.4 million), primarily due to the increase in cash and cash equivalents. Inventories increased by EUR 1.1 million and totalled EUR 92.6 million at the end of the reporting year (previous year: EUR 91.5 million). It comprises work in progress, properties under construction, properties ready for sale (inventories) and advance payments made, with the increase mainly attributable to properties under construction.

Trade receivables relate to instalment calls in accordance with the German Real Estate Agent and Property Developer Ordinance (MaBV) for new-build properties that had not yet been settled as at the balance sheet date. They fell by EUR 1.4 million to EUR 1.2 million in the reporting year.

As at the balance sheet date of 31 December 2024, The Grounds had cash and cash equivalents of EUR 27.6 million. The increase of EUR 24.6 million compared to the end of the previous year (EUR 3.0 million) primarily reflects the inflow of issue proceeds from the capital increase carried out in December 2024. A significant portion of the funds already utilised from the capital increase in the 2024 financial year was used for the repayment of high-interest subordinated loans, interest payments and liabilities for goods and services relating to investments in project developments in the planning and construction phases.

On the liability side of the balance sheet, equity increased by EUR 29.7 million to EUR 50.7 million due to the sharp rise in subscribed capital from the capital increase in December 2024. As a result, the equity ratio increased to 30.1%, compared to 14.2% at the end of 2023.

There was also a significant change in the ratio of current to non-current liabilities, with the former decreasing and the latter increasing. While the bond item, which totalled EUR 27.3 million in the previous year, was no longer reported under current liabilities, as at the balance sheet date, bonds amounting to EUR 34.2 million were recognised under non-current liabilities. This reflects the increase in the financing provided by H.I.G. in the fourth quarter of 2023 from the original EUR 10 million to EUR 17 million, as well as the conversion of a corporate bond into a zero-coupon bond and the associated maturity extensions.

Provisions decreased by a total of EUR 3.8 million to EUR 1.2 million, mainly due to the reclassification of an amount of EUR 3.5 million to other liabilities, of which EUR 1.5 million to non-current liabilities and EUR 2.0 million to current liabilities. Trade payables, which mainly comprise outstanding invoices for construction and ancillary construction costs, fell to EUR 3.5 million (previous year: EUR 5.0 million). Advance payments received decreased to EUR 1.0 million (previous year: EUR 1.5 million).

Operating activities resulted in a negative cash flow of EUR –10.0 million in 2024. In addition to cash-effective staff costs of EUR 1.5 million and other operating expenses of EUR 1.8 million, cash outflows from the reduction of liabilities (EUR 1.8 million) and from inventory build-up in the inventories segment (before impairment) amounting to EUR 5.3 million contributed to this negative cash flow.

Cash flow from investing activities was also negative at EUR –0.5 million due to investments in investment property. The positive cash flow from financing activities amounting to EUR 35.1 million is primarily attributable to the EUR 7.0 million increase in the financing granted by H.I.G. and to the EUR 40.0 million in proceeds from the capital increase carried out in December 2024. These inflows were partially offset by loan repayments and interest payments.

3.3 Financial and non-financial performance indicators

The Grounds uses several **financial performance indicators** to manage the Group. The key performance indicators are revenue and EBIT. The aim of the corporate strategy is to build up a significant portfolio with a balanced risk/return profile that generates sustainable cash flow and enables future dividend payments to shareholders. Cash flows are not only generated from the portfolio properties. The sale of property developments and the privatisation of portfolio properties are intended to generate sustainable earnings contributions.

In the individual operating segments, specific financial and non-financial performance indicators are applied. In the segment for long-term held portfolio properties, key indicators such as occupancy and vacancy rates, as well as new lease rents, are used as important benchmarks for property performance.

For the project development segment, the developer return is used as an important financial performance indicator. Investments in new projects depend mostly on the possibility of acquiring suitable land. The decision to invest is based on the possible structural utilisation of the property, the asset class to be built and the purchase price for the property. Depending on the expected project risk and the asset class, The Grounds aims to achieve a development margin of at least 15% in the property development segment. Furthermore, for portfolio developments, key performance indicators include factors influencing the sales result, such as the number of existing reservations for residential units, and the turnover rate. The actual sales figures are also recorded by number and sales volume.

Due to the current size of the Group, **non-financial performance indicators** have not been used directly for corporate management purposes to date but are important building blocks for the success of The Grounds Group on the property and capital markets.

Sustainability

As a result of political requirements and social necessities, the demands for sustainability in business have increased significantly. The EU has explicitly set itself the goal of directing capital flows towards sustainable economic activity and, through the EU Taxonomy, will be requiring large companies to increase transparency regarding environmental protection (E = Environment), social responsibility (S = Social), and corporate governance aligned with the principles of honourable business conduct (G = Governance).

These principles apply to all companies, but especially to companies in the property sector. This is because residential housing (as the sum of all property-related activities) is responsible for a good third of climate-damaging CO_2 emissions.

The Grounds is committed to the content of the guidelines, even if the Company has not yet used ESG criteria specifically for corporate management.

Environment

The Grounds complies with the highest standards for energy efficiency and sustainability in new builds, such as those set out in the Efficiency House 55 (EH55) and Efficiency House 40 (EH40) standards. An innovative energy concept was even developed for the Terra Homes project in Erkner, which ensures particularly low energy consumption and enables CO_2-neutral heating. An electrically powered brine-to-water heat pump and hybrid collectors (PVT collectors) are planned for the simultaneous generation of solar electricity and heating energy. Where sensible and economically viable, new buildings are certified in accordance with demanding standards such as the Gold Standard of the German Sustainable Building Council (DGNB). This is the case, for example, in the Central Offices project, the office building in Magdeburg, and should also apply to all future projects.

In existing buildings, various measures contribute to CO_2 reduction. These include the insulation of façades, the installation of low-CO_2 heating systems and the transition from carbon-based to renewable energies. In the context of a sales strategy focussed on residential units, The Grounds is currently reviewing investments in its portfolio properties aimed at improving energy efficiency.

Social

Dealing responsibly and fairly with employees, customers and business partners is a fundamental principle of The Grounds' corporate policy.

Measures regarding social responsibility are therefore essentially focussed on customers and employees and are intended to ensure fair dealings with one another, encompassing needs beyond the purely material. When developing urban neighbourhood projects, for example, The Grounds ensures that all stakeholder groups are involved in the planning at an early stage so that the needs of future users are incorporated into the design of living spaces and living environments. After all, quality of life, health and social well-being depend on it to no small extent. In this context, The Grounds ensures that safe green spaces and public spaces are accessible to all and that children have playgrounds and adults have places for community activities.

The Grounds employs just 13 people in total. The Company's success is therefore much more dependent on the commitment and motivation of each individual employee than might be the case with a larger company. As such, The Grounds is very interested in long-term employee loyalty to the Company, a positive corporate culture, a pleasant working atmosphere, long-term job security, appropriate employee development and a fair remuneration structure. The Grounds takes to heart that these factors are therefore essential for maintaining and increasing employee satisfaction and, likewise, the Company's success.

Governance

Responsible and long-term-oriented corporate governance ensures the continuity of The Grounds and sustainable value creation. At the same time, The Grounds' reputation as a reliable partner is an important building block for the Company's success.

The Grounds is guided by the requirements of the German Corporate Governance Code (DCGK). With a few exceptions, which have to do with the small size of the Company, they are fulfilled.

The cooperation between the Management Board and the Supervisory Board complies with the legal requirements applicable to a stock corporation and is governed by the Articles of Association. All members of the two committees have in-depth knowledge and contacts in both the property sector and the capital market. The Management Board is responsible for the independent management of the Company, while the Supervisory Board monitors the management of the Company as a supervisory body. The Supervisory Board has decided not to form committees due to the small number of members.

Regarding internal processes, The Grounds has a functioning internal control system that includes the usual control mechanisms, such as the dual control principle, control loops and defined signatory authorisations.

All strategic and management-related functions are performed by employees of the Company, most of whom have many years of experience in their respective professional fields. These functions primarily include transaction management, asset management, financing and accounting.

All other administrative functions, but essentially property management, are outsourced to external service providers. This allows capacity planning to adapt flexibly to changes in the portfolio.

3.4 Forecast–actual comparison

For the 2024 financial year, The Grounds had originally expected revenue of between EUR 48 million and EUR 52 million, which would have corresponded to a significant increase compared to the previous year and a significant increase compared to 2022. This was linked to the expectation of achieving a break-even consolidated EBIT in 2024. The sales of the Börde Bogen neighbourhood development in Magdeburg and the terraced houses in Erkner were cited as key prerequisites for achieving this target; the planning also took into account initial revenue from the sale of residential units from properties held as non-current assets in the Berlin area. The forecast for the consolidated EBIT also included a smaller gross earnings contribution of EUR 2.5 million from the recovery note (contingent payment right) for the logistics property in Hangelsberg, which was sold at the end of 2020 and is expected to be paid in the first half of 2024.

After the planned sales in the Börde Bogen and Central Offices projects could not be realised as originally expected – despite promising negotiations – market conditions remained tense, and demand from institutional investors was low. The Grounds therefore took the business development in the first half of 2024, along with the impairment losses recognised in the half-year financial statements on a project development in

Blankenfelde-Mahlow and on a receivable from a shareholder loan in connection with a joint venture project in Remscheid, as the basis for adjusting the earnings forecast for the full year in August 2024. Based on revenue of between EUR 10 million and EUR 12 million, a negative EBIT of between EUR –7 million and EUR –9 million is now expected.

With actual revenue of EUR 12.9 million and EBIT of EUR –9.2 million, the revised forecast for the 2024 financial year has been largely confirmed.

4 Opportunity and Risk Report

4.1 Risk management

The Grounds maintains an appropriate risk management and internal monitoring system throughout the Group to avoid deficiencies in its own organisation, identify and assess risks at an early stage and thus ensure the continued existence of the Company. The risk management system not only identifies and assesses risks, but also develops measures to avoid, minimise or limit them. It is highly important to recognise risks at an early stage that have the potential to jeopardise the planned development or even the existence of the Company. Risks are assessed on the basis of their probability of occurrence and the potential extent of damage and summarised at Group level. Any need for action, such as operational measures or the creation of provisions, is then derived from this.

As part of risk management, capital management is tasked with sustainably safeguarding the Company's liquidity and equity base, while generating an appropriate return on the capital employed.

Financial risk management, in turn, aims to control and limit the financial risks arising from business activities. The key objective here is to avoid disruptions to liquidity (liquidity risk) and to minimise default risk – that is, the potential losses that could arise if a contractual counterparty fails to meet its contractual obligations.

All risks and the measures taken to limit them are regularly reviewed during the year on the basis of possible deviations from corporate 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 primarily relate to financial metrics from the income statement, such as revenue, earnings before interest and taxes (EBIT) and earnings before tax (EBT) as well as balance sheet figures – in particular, developments in equity and liabilities. Monthly key figures obtained from controlling the property portfolio or from liquidity management are also used for risk assessment.

4.2 Description of individual risks

4.2.1 Macroeconomic and market-related risks

Although the series of rapid key interest rate hikes – which had posed a significant burden on the real estate sector in 2022 and 2023 – has now come to an end, and the European Central Bank (ECB) cut rates a total of four times during the reporting year, with inflation falling markedly compared to the previous two years, the recovery of the transaction market in 2024 initially remained sluggish and only gained noticeable momentum in the second half of the year. Geopolitical uncertainties, such as the ongoing war in Ukraine and the uncertainty surrounding the outcome of the presidential election in the USA and the feared effects of the protectionist tariff policy announced by Donald Trump following his election victory, continued to weigh on market activity. Nevertheless, property prices, which had previously fallen significantly, began to bottom out over the course of the year.

To secure the Company's liquidity and continued existence on the one hand, and to create the financial foundation for further growth on the other, The Grounds agreed with a fund managed by H.I.G. Capital to increase the bridge financing granted in the previous year. Furthermore, the fund acquired a stake in the Company as a strategic investor and majority shareholder as part of the planned capital increase implemented in December 2024.

The letting market remained largely unaffected by the ongoing economic weakness in Germany in the reporting year and continued to develop robustly, as demand for residential space remains significantly higher than supply, particularly in the major metropolises and conurbations. In this respect, letting risks are currently of secondary importance for The Grounds.

By contrast, in light of the overall economic environment marked by numerous uncertainties, there remains a risk that impairments of non-current assets may be necessary, which could in turn have a negative impact on profit or on key balance sheet figures. Compared to the previous year, though, these risks have lost some of their importance.

To minimise any need for devaluation even in challenging market phases, The Grounds focuses on high-quality locations in economically strong regions with a positive demographic trend when purchasing properties.

All portfolio properties in the Berlin metropolitan area have a certificate of partition, making it possible to implement a deed of division in accordance with the German Condominium Act (Wohnungseigentumsgesetz). Accordingly, the strategic option of realisation in the form of residential unit sales would exist and thus an alternative marketing situation that offers the prospect of economic realisation in the future. The Grounds is still planning to market corresponding properties in 2025.

Despite the lower inflation rate in the meantime, construction prices remained at a relatively high level in 2024, not least due to rising labour costs in the construction industry and various regulations that make building more expensive. For The Grounds, this results in the risk that the planned budgets for project developments or refurbishment and maintenance work on existing properties may be exceeded. While The Grounds projects in Magdeburg were completed within the planned budget, the procurement situation in Berlin is proving more difficult. The Grounds had to award contracts that in some instances exceeded the respective individual budgets.

4.2.1.1 Competition

In the course of its business activities, The Grounds is exposed to intense competition, regularly facing various competitors regarding property development, portfolio management and portfolio expansion as well as the privatisation of residential properties in Germany.

In the acquisition of residential properties and the sale of developed land and property portfolios, The Grounds Group's direct competitors are, in particular, medium-sized property companies.

The Grounds endeavours to distinguish itself from these through unique selling points and individual utilisation concepts.

Furthermore, The Grounds competes for tenants, property sellers and investors, which may result in the Company being unable to hold its own against the competition or sufficiently differentiate itself from its competitors.

However, the risk is limited, as the management of The Grounds has years of experience in the property industry and, therefore, an extensive and proven network that allows it to secure off-market transactions and not compete publicly with other competitors.

The Company currently focusses on acquiring residential portfolios and properties in an investment volume range that is too small for larger competitors, yet represents the upper limit for smaller investors. In the Company's opinion, there is no competitor among listed companies in the property sector that has a comparable business model comprising portfolio management, property development and portfolio development with a comparable strategy and local focus. Among the non-listed companies on the property market, there are individual competitors that are only positioned regionally, meaning that the Company primarily faces regional competitors.

4.2.1.2 Regulatory risks

The business activities of The Grounds Group are heavily dependent on the applicable legal framework for residential property. This includes, in particular, statutory regulations on tenancy laws (rent index, tenant protection, etc.), the energy efficiency of properties (zero emission standard, etc.), environmental protection regulations (heating law, CO_2 levy, etc.) or tax regulations (property transfer tax, etc.). Such regulations have changed frequently in the past and will in all likelihood continue to change in the future.

Changes in the legal framework can have a significant negative impact on the profitability of investments and the financial performance of The Grounds. Furthermore, changes in the legal framework can trigger a considerable need for action, resulting in high additional costs that can only be passed on to tenants to a limited extent or not at all for legal or other reasons.

In these cases, however, it is to be expected that all competitors would be similarly affected, meaning that The Grounds would at least not suffer a competitive disadvantage in the market.

Sustainability aspects are playing an increasingly important role in the housing industry. With its taxonomy, the European Union has formulated the clear goal of channelling investments more strongly into less climate-damaging activities. This is made clear, among other things, by the requirement that all new buildings must be climate-neutral by 2030 at the latest, while existing buildings must be converted into zero-emission buildings by 2050. The EU also stipulates that residential buildings with particularly poor energy efficiency should achieve at least energy efficiency class E by 2030 and energy efficiency class D by 2033. Investors are therefore likely to increasingly look for taxonomy-compliant properties. It is therefore to be expected that unsustainable properties will lose value in absolute terms, but certainly in relative terms.

Some of the existing residential units at The Grounds have already undergone energy-efficient refurbishment. The Company is also examining investments in further insulation measures or the installation of state-of-the-art low-CO_2 heating systems and the integration of renewable energies to improve the energy efficiency of the buildings, thus complying with EU requirements in good time. The project developments are mainly planned or developed on the basis of the EH55 standard or already in accordance with the EH40 standard.

4.2.2 Company-specific and operating risks

4.2.2.1 Purchase and sale of properties

The economic success of The Grounds is largely dependent on the selection and acquisition of suitable properties or property portfolios or investments in property companies. This entails the risk that The Grounds may incorrectly assess the structural, legal, economic and other circumstances relating to the properties or portfolios to be purchased or otherwise fail to value them correctly. Furthermore, the assumptions made regarding the income potential of the properties or portfolios may subsequently prove to be partially or entirely inaccurate. This could, for example, result in properties acquired for the portfolio management segment failing to generate the expected cash flow and therefore being unable to be operated profitably.

The Grounds counters this risk with a detailed examination of the acquisition properties prior to purchase, including the involvement of external appraisers or building experts. Furthermore, the potential for increasing the value of the properties is comprehensively examined. The existing property portfolio is regularly revalued by recognised appraisers.

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

It cannot be ruled out that land owned or formerly owned by The Grounds is or was contaminated with contaminated sites, other harmful soil contamination or war damage. Such soil contamination may result in The Grounds being required by the competent authorities to remove the associated hazards, which typically involves considerable costs.

Even if the Company has already sold the relevant land and properties to third parties, there is a risk that the purchasers may assert claims for damages or other warranty claims. These obligations and claims are to be borne regardless of whether The Grounds is responsible for the corresponding soil contamination. It is possible that The Grounds may have no claims for recourse against third parties, even if those parties were responsible for the contamination. The remediation of any such contamination, along with related measures, could lead to rental losses, significantly delay construction activities, render them unfeasible or economically unviable and result in substantial additional costs.

Furthermore, a number of factors – including the age of the building structure, hazardous substances in construction materials, soil conditions or non-compliance with building and heritage protection regulations – may result in costly renovation, maintenance and modernisation work on properties held by The Grounds. If appropriate structural measures are not carried out, this could have a negative impact on the sales and rental income from the properties concerned. There could also be restrictions on the use of the properties and plots of land affected and thus loss of rent.

The Grounds also counters these risks by carefully analysing all these aspects when it comes to acquiring building land or a property that has already been constructed.

4.2.2.3 Staff

The members of the Management Board and Supervisory Board of the Company and other executives of The Grounds have in-depth knowledge and contacts in both the property sector and the capital market. If Management Board members or other employees in key positions were no longer available, these contacts and expertise would be missing and it is uncertain whether the Company would be able to compensate for this in the short term by hiring new staff. The personnel changes of the past year show that The Grounds is able to compensate for this and to implement personnel changes at management level without any loss of quality. The Company seeks to retain qualified personnel in the long term through incentives such as the share option programme introduced in the 2020 financial year, aimed at securing commitment to the Group.

4.2.2.4 Financing and interest rate risks

To support the planned expansion of its business activities in line with its business model, The Grounds requires substantial financing, which will need to be obtained either in the form of equity or debt. Business development is therefore dependent on obtaining additional financing at appropriate conditions in good time and, if necessary, refinancing existing financing when it matures. If this does not succeed, The Grounds will not be able to build up and expand its business to the extent it is aiming for.

To this end, The Grounds examines all options for raising funds, from strengthening the equity base to raising marketable debt, bank financing or other forms such as mezzanine financing.

The rise in interest rates in recent years has also increased the risk that banks will become more restrictive in their lending. A further crisis on the financial markets would make it considerably more difficult for The Grounds to obtain debt financing and lead to liquidity problems. If this results in problems servicing current loans, lenders could, as a last resort, arrange for the forced realisation of property collateral. Such distress sales would lead to considerable financial disadvantages for The Grounds. To minimise this risk, The Grounds works with a large number of banks and actively looks for ways to use the capital market for financing or to raise funds through equity financing. Joint venture partnerships have not been ruled out either.

There are also financing agreements that include debt service coverage ratios and leverage ratios (financial covenants). Failure to comply with these credit terms could result in a premature repayment obligation if the curing options are not utilised.

The balance sheet includes current financial liabilities totalling EUR 51.7 million. If repayment is not secured by sales agreements that have already been concluded, there is a refinancing risk that could also lead to liquidity problems. The Grounds endeavours to extend financing ahead of time if necessary. There were no financial liabilities due as at the publication date.

The convertible bond, which was successfully placed in February 2021 and later further increased, was an important milestone in establishing the Company on the capital market. This convertible bond was converted into a fixed-interest bond with an extended term until at least 2027 in 2024.

In 2023, H.I.G. Capital was also acquired as an investor, which, in the course of providing bridge financing, had expressed its willingness to become involved in The Grounds as an equity investor in 2024; it did this as part of the capital increase implemented in December 2024.

There is an interest rate risk for contracts with variable interest rates and for future refinancing of expiring loans and new loans. Rising financing costs may have a negative impact on the profitability of projects and cash flows in the future.

4.2.2.5 Liquidity and financing risks

The Grounds requires sufficient liquidity for its ongoing business operations. Liquidity management is a particular focus of Group management to identify negative developments in individual business segments at an early stage and respond to them as necessary. To ensure that this can also be done at short notice, the Management Board receives a monthly report on current liquidity. This report includes a liquidity forecast that covers all current business transactions at Group level and mirrors the planning data.

4.2.2.6 Taxes

Tax law is subject to constant change. The Company has no influence on whether the currently applicable tax regulations, decrees and ordinances will continue to apply in unchanged form. Future amendments to the law or deviating interpretations of the law by tax authorities and courts cannot be ruled out.

There is therefore a risk that tax-relevant matters may be identified to the detriment of affiliated entities. In the context of current and future tax audits, tax regulations and circumstances could be assessed differently by the tax authorities than by The Grounds. If the tax authorities adopt a different interpretation, this may result in additional tax liabilities and thus negatively impact the assets, financial position and financial performance of the entities.

The Grounds counters this risk by cooperating closely with the appointed tax consultant and taking all tax aspects into account in all business transactions.

4.2.2.7 Lack of creditworthiness, insolvency or termination by contractual partners

Portfolio properties must be constantly modernised and maintained to meet legal requirements and remain attractive to tenants. In its project developments in particular, however, the Company is exposed to the risk that the contractual partners involved in such new construction or modernisation measures do not meet their legal and contractual obligations or do not meet them in full. The possible failure of contractors can also lead to increased costs or unforeseen delays in new construction and modernisation measures.

There is also a risk that major contractual partners may (prematurely) terminate contracts for good cause. In this case, new contractual partners may have to be found, which can also lead to delays and higher costs. There is also a risk that any claims for damages may not be enforceable.

To counter this risk, The Grounds selects external partners for its projects, whom it has already worked with in the past on a basis of trust. Furthermore, the solvency and operational development of contractual partners are regularly reviewed as part of risk management. Although the Company cannot entirely rule out the default of individual partners – even those with excellent creditworthiness – it considers this risk to be low.

4.2.2.8 Rental income

The Grounds derives part of its revenue from letting the residential properties in its portfolio properties. Accordingly, economic success depends in part on maintaining this rental income at the existing level or even increasing it. This requires ownership of attractive properties in strong locations and the ability to attract creditworthy tenants willing to enter into lease agreements under conditions favourable to The Grounds.

The Grounds mitigates the risk of vacancy and rental default by contractually securing vacancy reductions or lease extensions already at the time of property acquisition, and by entering into lease agreements with new tenants only if they demonstrate sufficient creditworthiness. Targeted monitoring and proactive measures are used to keep the risk of rent default at a low level.

4.2.3 Other risks

In addition to the risks described above, unforeseeable events beyond the Company's control may have a negative impact on business performance. These include natural disasters, epidemics, wars and terrorist attacks.

4.2.4 Overall assessment of risks

In the 2024 reporting year, some of the aforementioned risks, which had become much more apparent in the previous year than in the years before, receded somewhat into the background. This applies in particular to interest rate and price developments. Nevertheless, these risks still require increased attention, especially as the recessionary macroeconomic environment and the still comparatively low level of activity in new construction and on the transaction market continue to cloud the business outlook, make financing conditions more difficult and have led to a number of business closures in the property industry in 2024. In this environment, The Grounds has proven itself, cushioned all risks and, in particular, gained a new financing partner and majority shareholder who, together with Management, shares the view that the market segments The Grounds focusses on offering attractive opportunities and that it is currently worth positioning the Company for a stronger revitalisation of the market.

4.3 Opportunity report

Opportunities in connection with macroeconomic and sector-specific developments
The current ifo economic forecast from March 2025 expects the economy to stagnate in 2025, with growth in 2026 projected to remain below 1%. However, price levels and key interest rates are still not expected to rise significantly, which proved to be a particular burden in 2022 and 2023. In fact, at least one further interest rate cut in the eurozone is considered likely. Against this backdrop, there is at least a chance that property prices will continue to strengthen and gradually return to a growth path and that investors will once again purchase more properties.

The strong demand for rental flats and residential property, which significantly exceeds supply and is likely to continue to do so for the foreseeable future, is likely to remain a consistently positive influencing factor on the residential property markets in Germany's major cities and their surrounding regions.

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

Opportunities from financing

In 2023, The Grounds entered into a financing agreement with Tempus Holdings 112 S.à r.l. – a fund managed by the H.I.G. Capital Group – which was to be followed in 2024 by an equity investment as part of a capital increase. The scheduled implementation of this measure in December 2024 will result in several benefits and opportunities. Firstly, the Company is now on a secure long-term financial footing. The changes in the balance sheet structure have a positive effect on important key figures, such as the LTV, thus opening up further scope for financing. Furthermore, the net finance costs are reduced by interest expenses, which will generate corresponding positive effects on profit development.

Overall, the successfully implemented capital increase should improve the Company's capital market viability and thus its competitiveness in its business segment.

Company-related opportunities

The Grounds expects that certain Company-specific matters will develop favourably, such as the long-awaited but not yet realised recovery note related to the Hangelsberg project.

5 Forecast Report

5.1 Macroeconomic and sector-specific development

Uncertainty about the future development of the German economy remains exceptionally high. On the one hand, the policies of the new US administration are erratic. On the other hand, it is still unclear which specific economic policy decisions the new German federal government will make in the coming years. However, noticeable fiscal relief is emerging, particularly in the areas of infrastructure and defence, which could stimulate the German economy in the short term and boost its production potential in the long term. That said, it remains to be seen which measures will actually be implemented. Overall, the economic outlook for the current year remains subdued. According to the ifo economic forecast from March 2025, gross domestic product for the full year of 2025 is expected to increase by only 0.2% compared to the previous year. Growth of 0.8% is the forecast for the following year.

With regard to interest rates, the banks assume that the current cycle of interest rate cuts will come to an end in the current year but that the Governing Council of the European Central Bank (ECB) will decide on a further interest rate cut by summer 2025. The main refinancing rate is therefore likely to remain at 2.4% for the remainder of the forecast period. At the same time, however, long-term capital market interest rates have been trending sideways for some time; the announcement of the German fiscal package also recently contributed to a significant rise in long-term interest rates. The property industry is therefore unlikely to see any further relief in the coming months in terms of interest rates but no significant burdens either.

The fact that nominal incomes in Germany increased noticeably more than prices, on average, in 2024 could prove to be a stimulus for demand from private buyers of single-family homes and residential units, resulting in the strongest real wage growth since 2008, with an increase of 3.1%.

5.2 Sector situation

German construction industry

In December 2024, the German Construction Industry Association (ZDB) registered subdued business expectations for 2025 among its member companies and forecast stabilisation at a low level. The association expects 2025 to be the fifth year in a row with real sales losses. However, with a decline of 2.5%, this should at least be lower than the 4% decline in 2024. Despite the continuing high need for investment, demand for construction services remains weak in all construction sectors.

The inadequate subsidisation of new construction is having an impact on residential construction, so a further decline in the number of completions is to be expected. For 2025, a further real decline in sales in residential construction is also expected, which is likely to amount to 7% after 14% in 2024.

The low demand for construction services could have a positive effect for building owners who remain active, as it improves the availability of tradespeople, while demand decreases and price pressure decreases.

Transactions market

Following the sharp slump in 2023, the transaction market initially stabilised in 2024 and increasingly showed signs of recovery as the year progressed. Market observers expect this trend to continue in 2025.

The Grounds, whose business development is heavily dependent on the transaction market, shares this view. However, this assessment is subject to the proviso that no additional significant risks (e.g. geopolitical developments) materialise.

5.3 Company

The Grounds expects revenue for the 2025 financial year to be in the range of EUR 9 to 11 million and anticipates a break-even consolidated EBIT. In this forecast, a gross result contribution of 2.5 million EUR from the recovery note related to the logistics properties in Hangelsberg sold at the end of 2020 is still included, with its receipt expected during the year. In contrast, the forecast does not include any effects from further acquisitions. Revenues and profit impacts from the Terra Homes, Börde Bogen, and Central Offices development projects were also excluded, as their initial partial realisation is currently planned for the 2026 financial year.

6 Remuneration Report

The new employment contract concluded with Jacopo Mingazzini in the 2020 financial year ran until December 2024.

There is no provision for ordinary cancellation during the term of the contract. In the event of a change of control, however, the contract provides for a special right of cancellation.

The remuneration of the Management Board consists of a fixed, performance-independent annual base remuneration and a variable bonus to be determined between the Management Board and the Supervisory Board.

The base remuneration has been EUR 240,000 since 1 March 2021. The variable remuneration component is linked to the profit after taxes of the Company's IFRS consolidated financial statements. Valuation gains are only partially included in the calculation basis. Furthermore, the bonus is capped at EUR 480,000.

The Management Board is provided with a Company car, and The Grounds has taken out directors' and officers' liability insurance (D&O insurance).

Furthermore, the Management Board received share option rights for 700,000 shares each as a long-term remuneration component. The share option programme provides for a four-year waiting period from the date of issue, during which the share options granted cannot be exercised. Please refer to the notes to the consolidated financial statements for information on the expenses associated with these share-based payments in the reporting period and the valuation parameters.

No pension commitments or other pension benefits were granted. No agreements have been made with the Management Board regarding benefits in the event of early termination, except for the Company's right to release the Management Board from duties during the notice period and in case of dismissal with continued salary payments, and the Management Board's right to demand immediate payment of remuneration for the remaining contract term in such cases. Furthermore, the employment contract provides for a post-contractual non-competition clause.

In 2025, the Management Board contract was renegotiated and has a minimum term until 31 December 2026 with extension provisions.

In addition to the reimbursement of their expenses, the members of the Supervisory Board receive fixed annual remuneration for each full financial year of their membership of the Supervisory Board.

Berlin, 28 April 2025

The Management Board
Jacopo Mingazzini   Andrew Wallis

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

The Grounds Real Estate Development AG, Berlin, as at 31 December 2024

	Note	31 Dec. 2024	31 Dec. 2023*
		TEUR	TEUR
Assets			
Non-current assets			
Intangible assets	**8.1**	13	15
Goodwill	**8.1**	0	1,942
Property, plant and equipment	**8.1**	176	180
Right-of-use assets	**8.2**	120	240
Investment property	**8.6**	35,075	35,131
Equity investments	**8.4**	2	2
Interests in companies accounted for using the equity method	**8.5**	0	2,279
Other financial assets	**8.7**	160	145
Deferred tax assets	**8.23**	3,371	3,818
Total non-current assets		**38,917**	**43,752**
Current assets			
Inventories	**8.8**	92,562	91,480
Contract assets	**8.9**	0	169
Trade receivables	**8.10**	1,198	2,568
Other receivables	**8.11**	7,785	7,129
Cash	**8.12**	27,574	3,028
Non-current assets held for sale	**8.13**	290	0
Total current assets		**129,409**	**104,374**
Total assets		**168,326**	**148,126**

* Prior year adjusted due to changes in accounting (see note with regard to IAS 8 in chapter 2 of the notes to the consolidated financial statements).

	Note	31 Dec. 2024	31 Dec. 2023*
		TEUR	TEUR
Equity			
Issued capital	**8.14**	49,455	17,806
Adjustment item from business acquisition	**8.14**	–12,453	–12,453
Capital reserves	**8.14**	2,605	3,011
Retained earnings	**8.14**	155	155
Net income	**8.14**	8,362	10,165
Attributable to shareholders of the parent company		48,125	18,685
Attributable to non-controlling shareholders		2,621	2,314
Total equity		**50,746**	**20,999**
Liabilities			
Non-current liabilities			
Financial liabilities	**8.15**	13,793	10,823
Bonds	**8.16**	34,170	0
Lease liabilities	**8.17**	786	889
Other liabilities	**8.21**	1,661	3,645
Deferred tax liabilities	**8.23**	4,610	5,304
Total non-current liabilities		**55,020**	**20,661**
Current liabilities			
Provisions	**8.18**	1,169	5,012
Financial liabilities	**8.15**	51,729	61,856
Bonds	**8.16**	0	27,269
Lease liabilities	**8.17**	119	152
Advance payments received	**8.20**	1,015	1,474
Current income tax liabilities	**8.22**	2,202	2,765
Trade payables	**8.19**	3,501	4,993
Other liabilities	**8.21**	2,825	2,946
Total current liabilities		**62,560**	**106,467**
Total assets		**168,326**	**148,126**

* Prior year adjusted due to changes in accounting (see note with regard to IAS 8 in chapter 2 of the notes to the consolidated financial statements).

CONSOLIDATED INCOME STATEMENT

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 2024

	Note	1 Jan. 2024 – 31 Dec. 2024	1 Jan. 2023 – 31 Dec. 2023*
		TEUR	TEUR
Sales revenue	**8.24**	12,894	23,803
Changes in value of investment property	**8.6**	–258	–1,309
Other operating income	**8.25**	698	593
Change in inventories	**8.26**	963	922
Cost of materials	**8.27**	–17,558	–20,634
Staff costs	**8.28**	–1,612	–1,834
Depreciation of property, plant and equipment and amortisation of intangible assets	**8.1**	–2,110	–184
Other operating expenses	**8.29**	–2,177	–6,117
EBIT before income from associates		**–9,159**	**–4,760**
Income from associates	**8.5**	–14	–37
EBIT		**–9,173**	**–4,797**
Income from equity investments	**8.30**	3,031	133
Interest income	**8.30**	–6,646	–4,460
Interest expenses	**8.30**	269	309
Financial result		**–3,346**	**–4,018**
Earnings before income taxes		**–12,519**	**–8,815**
Income taxes	**8.31**	–1,037	1,520
Consolidated net earnings		**–13,556**	**–7,295**
of which attributable to non-controlling shareholders		–2,851	–249
of which attributable to shareholders of the parent company		–10,705	–7,046
Earnings per share (in EUR)	**8.32**	**–0.59**	**–0.40**

* Prior year adjusted due to changes in accounting (see note with regard to IAS 8 in chapter 2 of the notes to the consolidated financial statements).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 2024

	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. 2024	**17,806**	**−12,453**	**3,011**	**155**	**10,165**	**2,314**	**20,999**
Capital decrease	−8,903		0		8,903		**0**
Capital increase	40,552						**40,552**
Costs of raising equity capital			−536				**−536**
Change of legal form of a subsidiary						3,157	**3,157**
Share-based payments			130				**130**
Consolidated comprehensive income					−10,705	−2,851	**−13,556**
As at 31 Dec. 2024	**49,455**	**−12,453**	**2,605**	**155**	**8,362**	**2,621**	**50,746**

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**	**17,258**	**2,566**	**28,443**
Share-based remuneration			–100				**–100**
Consolidated comprehensive income					–7,046	–249	**–7,295**
Disposal of non-controlling interests					3	–3	**0**
Profit distributions					–50		**–50**
As at 31 Dec. 2023	**17,806**	**–12,453**	**3,011**	**155**	**10,165**	**2,314**	**20,999**

* Prior year adjusted due to changes in accounting (see note with regard to IAS 8 in chapter 2 of the notes to the consolidated financial statements).

CONSOLIDATED STATEMENT OF CASH FLOWS

The Grounds Real Estate Development AG, Berlin, 1 January to 31 December 2024

		1 Jan. 2024 – 31 Dec. 2024	1 Jan. 2023 – 31 Dec. 2023*
		TEUR	TEUR
	Consolidated net earnings	−13,556	−7,295
+	Write-downs on fixed assets	36	39
+	Depreciation of right-of-use assets	132	145
+	Impairment of goodwill	1,942	0
−/+	Net income from associates accounted for using the equity method/ investment income	14	37
+/−	Increase/decrease in provisions	−343	3,613
+	Other non-cash changes	−306	−100
−/+	Changes in value of investment property	258	1,309
−/+	Gains/losses on the disposal of fixed asset	4	−22
−/+	Increase/decrease in inventories, trade receivables, contract assets and other assets not related to investing or financing activities	−289	−9,041
+/−	Increase/decrease in trade payables and other liabilities not related to investing or financing activities	−1,862	−3,596
+/−	Interest expenses/income	3,615	4,327
+/−	Income tax expense/income	1,037	−1,520
−/+	Income taxes paid	−723	−2,778
=	**Cash flow from operating activities**	**−10,043**	**−14,880**

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		1 Jan. 2024 – 31 Dec. 2024	1 Jan. 2023 – 31 Dec. 2023*
		TEUR	TEUR*
+	Proceeds from the disposal of intangible assets	0	0
+	Proceeds from disposals of property, plant and equipment	0	66
+	Proceeds from disposals of financial assets	0	150
+	Proceeds from the disposal of investment property	0	660
–	Payments for investments in intangible assets	0	–1
–	Payments for investments in property, plant and equipment	–34	–31
–	Payments for investments in financial assets	–15	–123
–	Payments for investment property	–492	–331
+	Interest received	7	14
=	**Cash flow from investing activities**	**–534**	**405**
+	Proceeds from additions to equity	40,000	0
–	Costs of raising equity capital	–768	0
+	Proceeds from issuing bonds and (financial) borrowing	19,926	28,547
–	Payments from repaying bonds and (financial) loans	–17,950	–9,009
–	Repayment of lease liabilities	–148	–153
–	Interest paid	–5,937	–4,155
=	**Cash flow from financing activities**	**35,123**	**15,230**
	Cash changes in cash funds	24,546	755
+	Cash funds at the beginning of the period	3,028	2,273
=	**Cash funds at the end of the period**	**27,574**	**3,028**

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

* Prior year adjusted due to changes in accounting (see note with regard to IAS 8 in chapter 2 of the notes to the consolidated financial statements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2024 FINANCIAL YEAR

1 Fundamental Information

The Grounds Real Estate Development AG (hereinafter: The Grounds) has its registered office in Berlin, Germany. It is registered in the commercial register of the district court of Berlin Charlottenburg under the registration number HRB 191556 B.

The Company's shares are listed under ISIN DE000A40KXL9 in the 'Primary Market' segment of the Düsseldorf Stock Exchange's over-the-counter market (Freiverkehr or OTC), as well as in the Frankfurt Stock Exchange's OTC with trading on Xetra and, additionally, on the Tradegate Exchange.

The Company's operating activities consist of the realisation of residential projects in German metropolitan regions and conurbations; its business activities are in three core areas. This includes the development of the company's own property portfolio, the tenant-oriented sale of existing flats to capital investors or owner-occupiers and the development and realisation of new residential construction projects with the aim of selling them to institutional investors, capital investors or owner-occupiers. The Grounds acts primarily as an operational holding company for its property companies.

2 Reporting Principles

In accordance with the provisions of section 293 of the German Commercial Code (HGB), The Grounds is not obliged to prepare consolidated financial statements for the 2024 financial year. These consolidated financial statements, as well as the Group management report, were therefore prepared voluntarily.

The consolidated financial statements are prepared in accordance with IAS 1.25 on a going concern basis, as the Group underwent financial restructuring during the year.

The Grounds applied the provisions of section 315e (3) of the HGB to its consolidated financial statements for the 2024 financial year. Accordingly, the consolidated financial statements have been 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), as adopted by the European Union (EU) as mandatory for capital market-oriented companies, and in compliance with the supplementary provisions of German commercial law pursuant to section 315e (1) of the German Commercial Code (HGB).

The requirements of the IFRS, as adopted by the EU, have been fully complied with and provide a true and fair view of the net assets, financial position and financial performance of the consolidated Group of The Grounds (hereinafter: 'The Grounds Group'). Individual line items in the consolidated statement of comprehensive income and the balance sheet have been aggregated to improve the clarity of presentation. These items are broken down and explained in the notes to the consolidated financial statements.

The consolidated statement of comprehensive income is structured according to the nature of expense method. It includes only a statement of profit or loss, as there are no components to be recognised directly in equity and, therefore, no other comprehensive income to be presented.

The Grounds has not yet broken down its business activities into reportable segments within the meaning of IFRS 8, also taking into account the company's size and structure. As a result, segment reporting has not been prepared.

The accounting policies applied in the consolidated financial statements are, in all material respects, consistent with those underlying the consolidated financial statements as at 31 December 2023.

Presentation adjustments were made within the consolidated balance sheet and the consolidated income statement. The previous year's figures have been adjusted accordingly. The type and amount of the effects on the consolidated financial statements are presented below:

- An existing (sub)leasehold in an investment property was not previously recognised separately in accordance with IFRS 16.
- The interests of non-controlling partners in two partnership subsidiaries were presented within equity as attributable to non-controlling interests, taking into account the provisions of the partnership agreements, notwithstanding the fact that a legal right of termination cannot be entirely excluded.

In accordance with the requirements of IAS 8, the comparative figures for the previous year have therefore been corrected. The following table shows the individual adjustments made to the affected items in the consolidated balance sheet and consolidated income statement.

	31 Dec. 2023 (reported)	Adjustments	31 Dec. 2023 (adjusted)
	EUR	EUR	EUR
Balance sheet items			
Investment property	34,820,600.00	310,000.00	35,130,600.00
Retained profit	10,487,783.17	−322,699.43	10,165,083.74
Equity attributable to owners of the parent	19,007,366.59	−322,699.43	18,684,667.16
Equity attributable to non-controlling interests	5,825,612.27	−3,511,498.23	2,314,114.04
Lease liabilities (non-current liabilities)	121,193.08	768,181.21	889,374.29
Other liabilities (non-current liabilities)	133,655.11	3,511,498.23	3,645,153.34
Deferred tax liabilities	5,443,029.78	−139,455.14	5,303,574.64
Lease liabilities (current liabilities)	148,036.76	3,973.36	152,010.12
Income statement (profit or loss) line items			
Changes in the fair value of investment property	−1,279,489.96	−30,000.00	−1,309,489.96
Other operating expenses	−6,143,717.47	27,138.00	−6,116,579.47
Interest expenses	−4,436,797.96	−23,280.37	−4,460,078.33
Other net finance costs	0.00	309,376.69	309,376.69
Income taxes	1,512,206.47	7,888.46	1,520,094.93
Profit or loss	−7,586,005.17	291,122.78	−7,294,882.39
thereof attributable to non-controlling shareholders	−558,276.06	309,376.69	−248,899.37
thereof attributable to owners of the parent	−7,027,729.11	−18,253.91	−7,045,983.02

The immaterial effects on the consolidated cash flow statement were recognised accordingly in the previous year’s column.

In the reporting year, to provide better insight into the Group's financial performance, income from operating cost settlements was offset against the corresponding expenses included under changes in inventories and presented accordingly in that item. The comparative figures for the previous year have been adjusted. For comparative purposes in these consolidated financial statements, revenue from the previous year is therefore reported EUR 93 thousand lower than in the previous year's consolidated financial statements, with a corresponding increase in changes in inventories.

The following new or amended accounting standards and interpretations were required to be applied for the first time in the IFRS consolidated financial statements for the 2024 financial year following their adoption by the EU:

Standard/interpretation	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
Amendments to IFRS 16 'Leases': Lease Liability in a Sale-and-Leaseback Transaction	1 January 2024
Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements'	1 January 2024

The resulting changes to IFRS accounting standards did not have any material impact on the consolidated financial statements of The Grounds.

The following accounting standards newly issued or amended by the IASB and (to the extent presented) not yet adopted by the EU are only mandatory in future financial statements, subject to adoption by the EU (possibly after adjustments have been made), and have not been applied early by The Grounds:

Standard/interpretation	First-time mandatory application according to IASB	First-time mandatory application in the EU
Amendments to IAS 21 'Lack of Exchangeability'	1 January 2025	1 January 2025
Amendments to IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments'	1 January 2026	Not yet adopted into EU law
Annual improvements to various standards, Volume 11 (IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7)	1 January 2026	Not yet adopted into EU law
IFRS 18 'Presentation and Disclosures in Financial Statements'	1 January 2027	Not yet adopted into EU law
IFRS 19 'Subsidiaries without Public Accountability: Disclosures'	1 January 2027	Not yet adopted into EU law
IFRS 14 'Regulatory Deferral Accounts'	1 January 2016	No EU recognition

The application of IFRS 18 is expected to result in significant changes for the Company's future consolidated financial statements. A detailed analysis of the expected changes is not yet available at the time of preparing these consolidated financial statements. However, the Company does not expect the future application of the other new accounting standards to have any significant impact on the consolidated financial statements.

Unless otherwise stated, the amounts in the tables and notes to the consolidated financial statements are shown in thousands of euros (TEUR or EUR thousand). Both individual and total values represent the value with the smallest rounding difference. When adding up the individual values shown, small differences to the totals shown may therefore occur.

These consolidated financial statements of The Grounds were prepared voluntarily and approved for publication by the Management Board on 28 April 2025.

3 Reporting Currency and Foreign Currency Translation

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

There are no transactions in foreign currency and all companies in the scope of consolidation also report in EUR.

4 Consolidation Methods

4.1 Financial year and reporting dates for the consolidated financial statements

The Group's financial year is the calendar year. The reporting date of all individual financial statements of the Group subsidiaries included in the consolidated financial statements corresponds to the consolidated reporting date.

4.2 Inclusion of subsidiaries

Subsidiaries are companies whose financial and business policies the Group can control directly or indirectly. A list of the subsidiaries included in the consolidated financial statements of The Grounds for the reporting period can be found in section 4.4.1.

Subsidiaries are included in the consolidated financial statements by way of full consolidation from the date on which control is transferred to the Group. They are deconsolidated at the point at which control ends.

Acquired subsidiaries are recognised using the purchase method. The purchase price of the acquisition corresponds to the fair value of the assets transferred, the equity instruments issued and the liabilities incurred or assumed at the transaction date (date of exchange). In a business combination, identifiable assets, liabilities and contingent liabilities are measured at their fair values at the acquisition date as part of initial consolidation, irrespective of the extent of non-controlling interests. Any excess of the purchase price over the Group's share of the net assets measured at fair value is recognised as goodwill. If the purchase price is lower than the (proportionate) net assets of the acquired subsidiary measured at fair value, the difference is recognised immediately in profit or loss in the statement of comprehensive income. Acquisitions of shares in subsidiaries after control is obtained are recognised as equity transactions. The difference between the purchase price of the shares and the derecognised non-controlling interest is offset directly in equity against retained earnings.

Equity interests held by other shareholders in a subsidiary are generally presented within consolidated equity as non-controlling interests. The non-controlling interest is the portion of the profit or loss and net assets of a subsidiary that is attributable to equity interests not held directly by the parent company or another subsidiary.

Where the consolidated subsidiaries are organised in the legal form of partnerships whose partners have an ordinary – possibly even long-term – right of termination, the interests of non-controlling partners are classified as liabilities. The portion of the net assets of such partnerships attributable to non-controlling interests/partners is reported in the balance sheet under 'other liabilities'. The share of profit or loss attributable to these non-controlling interests is recognised in profit or loss in the consolidated statement of comprehensive income under 'other net finance costs'.

The sale of property-holding companies through share deals is accounted for in the same way as a direct sale of property (asset deal) in the context of deconsolidation, as such transactions form an integral part of the core business of The Grounds Group. This approach reflects the economic substance of the transactions and ensures the most accurate possible presentation of the Group's net assets, financial position and financial performance. Accordingly, the share sale price, plus liabilities transferred and minus receivables transferred from the property company, is recognised as revenue, while the carrying amount of the disposed properties is recognised under cost of materials. For any remaining residual interests, the net amount of the Group's proportionate carrying amounts of the assets and liabilities disposed of through the sale is deemed to represent the acquisition cost. If properties are acquired through the acquisition of a property company, this is recognised accordingly as the acquisition of a property in the initial consolidation.

The acquisition costs result from the purchase price of the shares in the property company plus the liabilities assumed less other assets of the property company.

Intragroup transactions, balances and unrealised gains from transactions between Group companies are eliminated. The same applies to unrealised losses, unless the transaction indicates an impairment of the transferred asset. The accounting and valuation methods of subsidiaries are adjusted where necessary to ensure uniform Group accounting in accordance with IFRS.

4.3 Accounting for associates

An associate is a company over which the Group has significant influence. Significant influence is the opportunity to participate in the financial and business policy decisions of the company in which the capital shares are held. The decision-making processes are neither controlled nor jointly managed. Significant influence is generally deemed to exist if The Grounds holds 20% or more of the voting rights, either directly or indirectly via subsidiaries.

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

Shares in an associated company are recognised using the equity method from the date on which the conditions for association are met. Any excess of the cost of acquiring the interest over the acquired interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill. Goodwill is part of the carrying amount of the shares and is not tested separately for impairment. Any amount by which the acquired share of the fair values of the identifiable assets, liabilities, and contingent liabilities of the associate exceeds the acquisition cost of the investment is recognised in profit or loss in the period of acquisition when determining the share of the profit or loss of the associate.

4.4 Consolidated group

4.4.1 Companies included

The consolidated financial statements of The Grounds AG as at 31 December 2024 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%
TG Homes GmbH (formerly 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%
Grundstücksentwicklung Halberstädter Straße 153 GmbH	Berlin	94.9%
The Grounds App 1 GmbH & Co. KG	Berlin	100%
BORBICO GmbH[2)]	Berlin	100%
Gesellschaft für Dienstleistungen Logistikzentrum Hangelsberg mbH	Berlin	100%
Capstone Opportunities GmbH (formerly Capstone Opportunities AG)	Berlin	89.9%
CS1 GmbH	Berlin	100%
CSO Verwaltung GmbH	Berlin	100%
Wohnen am Haseknie GmbH & Co. KG [1)]	Berlin	100%
WMKG GmbH	Berlin	100%
Grundstücksgesellschaft LennéQuartier mbH & Co. KG [3)]	Berlin	94.9%
The Grounds Dallgow-Döberitz GmbH	Berlin	100%
The Grounds Bernau GmbH	Berlin	100%
The Grounds App 2 GmbH (formerly The Grounds App2 GmbH & Co. KG)	Berlin	51%
Börde Bogen Management GmbH	Berlin	51%
HIM 5 GmbH	Berlin	51%
TG Margaretenstraße GmbH & Co. KG	Berlin	100%

[1)] indirectly held via Capstone Opportunities GmbH.
[2)] indirectly held via TGA Immobilien Erwerb 12 GmbH.
[3)] partially held directly and partially held indirectly via Capstone Opportunities GmbH.

The consolidated financial statements also include the following associated companies:

List of associates

Company	Registered office	Equity interest
CS2 GmbH	Berlin	49.0%

Finally, The Grounds held the following equity investments 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[4)]	Stuttgart	10.1%	–156	–160
PropTech1 Fund I Carry GmbH & Co.KG[5)]	Berlin	3.4%	–5	0

All equity investments were held directly.
[4)] Data as per provisional annual financial statements as at 31 December 2023.
[5)] Data as per annual financial statements as at 31 December 2024.

4.4.2 Changes in the reporting period

Compared to 31 December 2023, the scope of consolidation changed as follows in the reporting period:

- The Grounds App 2 GmbH & Co. KG was converted into a GmbH in accordance with section 190 (1) of the German Transformation Act (UmwG) and now trades as The Grounds App 2 GmbH.
- In the first half of the year, the shares in TGA Immobilien Erwerb 8 GmbH (100%) were sold and deconsolidated. As a result, the associated company HAT 3 Projektentwicklungsgesellschaft mbH held by TGA Immobilien Erwerb 8 GmbH was also disposed of.

The sale of the shares in TGA Immobilien Erwerb 8 GmbH, Berlin, resulted in a deconsolidation gain totalling EUR 436 thousand in the reporting period. This amount is composed as follows:

	TEUR
Purchase price components received	589
Assets disposed of (liabilities)	–153
Profit from deconsolidation	**436**

5 Significant Accounting and Valuation Methods

The financial statements of the subsidiaries have been uniformly included in the consolidated financial statements in accordance with the following accounting and valuation methods. Where material deviations in accounting policies compared to those of the Group were identified in the individual financial statements of the associates, appropriate adjustments were made accordingly.

5.1 Intangible assets

5.1.1 Goodwill

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

Goodwill is tested for impairment annually and on an ad hoc basis if there are indications of impairment (impairment-only approach), and is measured at its original acquisition cost less accumulated impairment losses. No amortisation is applied.

The goodwill was fully written down due to impairment losses in the 2024 reporting period.

5.1.2 Other intangible assets

Other intangible assets include acquired software. It is recognised at acquisition cost upon initial recognition and subsequently measured acquisition cost less accumulated amortisation and any accumulated impairment losses (amortised cost). Scheduled amortisation is carried out using the straight-line method, starting from the date on which the software can be used for its intended purpose. 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 includes the Company's operating and office equipment. They are recognised at acquisition or production cost less accumulated depreciation (amortised acquisition or production cost) and any accumulated impairment losses. Scheduled amortisation is carried out using the straight-line method, taking into account the respective residual value and the respective useful life.

Scheduled amortisation begins as soon as the asset can be used for its intended purpose.

5.3 Leases

Company contracts are assessed at the inception of the contract to determine whether they constitute or contain a lease. A lease is always deemed to exist if the contractual agreements result in the authorisation to control the use of an identified asset for a certain period in return for payment of a fee.

5.3.1 Contractual relationships as a lessee

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

- business and office space;
- right-of-use assets from long-term ground lease agreements
- motor vehicles;
- (other) operating and office equipment.

With the exception of short-term leases, The Grounds Group recognises an asset for the right to use the leased asset and a liability for the payment obligations entered into for all identified leases in which it is the lessee.

The right-of-use asset is measured at (acquisition) cost at the commencement date. These result from the initial value of the lease liability and any incidental costs (payments made before the start of the term, directly attributable contract acquisition costs, agreed dismantling obligations) and reductions (incentives received). Lease and non-lease components in the leases are separated and the determined non-lease components are immediately recognised as an expense.

The lease liability is measured at the present value of the lease payments to be made over the term of the lease. Payment obligations are generally discounted using the incremental borrowing rate, as the implicit interest rates of the leases cannot be reliably determined. The incremental borrowing rate is based on the interest rate that the company would have to pay for borrowing under comparable economic conditions. A standardised discount rate is used for portfolios of similarly structured leases (e.g. similar assets, similar residual terms, etc.).

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

- fixed payments, including de facto fixed payments and less incentives granted by the lessor;
- variable payments that are linked to an index or reference interest rate (initially measured on the basis of the index or interest rate value valid on the provision date);
- amounts expected to be incurred in connection with residual value guarantees,
- exercise prices for call or extension options if it is reasonably certain that the option will be exercised,
- contractual penalties for early termination of the lease if it is reasonably certain that the lease will be terminated.

When determining the lease term, not only the fixed non-cancellable period is taken into account, but also additional periods that are expected to result from the exercise of extension options and the non-exercise of termination options.

For the purposes of subsequent measurement, the right-of-use asset is amortised on a straight-line basis over the term of the lease. The lease liability is amortised using the effective interest method and taking into account the lease payments made. Furthermore, the right-of-use asset is amortised in the event of any impairment and adjusted for certain remeasurements of the lease liability on an ongoing basis.

Lease liabilities are remeasured if future lease payments change due to interest rate or index changes, estimates of the expected payments have to be adjusted due to a residual value guarantee, a new assessment arises regarding the exercise of a purchase, extension or cancellation option or if fixed lease payments actually change. If the lease liability is remeasured, the carrying amount of the right-of-use asset is adjusted accordingly. If this adjustment led to a reduction in the carrying amount of the right-of-use asset below zero, the adjustment amount is recognised in the consolidated statement of comprehensive income.

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

For short-term leases with a remaining term of up to 12 months, no right-of-use asset or lease liability is recognised, in contrast to the principles described above. Instead, the lease payments made are recognised as an expense in accordance with the contractual agreements, unless a straight-line allocation of expenses over the term of the contract appears more appropriate.

5.3.2 Contractual relationships as a lessor

The Grounds Group is a lessor in the context of property leasing. Such leases must be differentiated according to whether they are finance or operating leases. The decisive classification criterion is which contractual partner bears the main opportunities and risks associated with ownership of the asset in the lease. For the purposes of this assessment, certain indicators are used, such as whether the lease covers the majority of the economically useful life of the asset. If, after an overall assessment of the contractual agreements, the lessee bears the main risks and rewards, the lease is a finance lease; otherwise, it is an operating lease.

The Grounds Group's contracts with tenants, which are to be regarded as leases, are all classified as operating leases. They mainly relate to the Group's privatisation projects, but in some cases also to investment properties. The monthly rental income received is recognised in revenue in profit or loss in accordance with the contractual lease terms, unless straight-line recognition over the lease term is deemed to provide a more appropriate reflection of performance. If an agreement contains both leasing and non-leasing components, the contractually agreed consideration is allocated in accordance with the provisions of IFRS 15.

5.4 Investment property

Investment properties comprise properties that serve to generate rental income and/or realise value appreciation in the long term. This also includes properties that are (still) in the construction phase and are intended to serve the aforementioned purposes. In contrast to investment properties, active resale activities for investment properties are generally only initiated after a longer holding period as part of portfolio reorganisations.

Investment property is initially recognised at acquisition or production cost, including transaction costs, and subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in profit or loss in the consolidated statement of comprehensive income in the period in which they arise.

An investment property is derecognised on disposal or when it is no longer to be used permanently and no future economic benefit is expected from its disposal. The profit or loss resulting from the disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income in the period of disposal.

If properties are initially acquired for trading purposes and allocated to inventories accordingly, they are reclassified to investment property at the point at which it becomes apparent that immediate realisation through sale will not be possible and instead a longer phase of development of the property (refurbishment, reletting) in the company's own portfolio is to be expected.

5.5 Impairment of assets

Assets subject to amortisation or depreciation are tested for impairment whenever 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 corresponds to the higher of the fair value of the asset less costs to sell and the discounted net cash flows from further use (value in use). To assess whether impairment exists, the assets are summarised at the lowest level into cash-generating units, for which cash flows can be identified largely independently of the rest of the company.

However, any reversals of impairment losses are limited to the asset's cost less accumulated amortisation or depreciation.

5.6 Financial instruments

5.6.1 Financial assets

Purchases and sales of financial assets are recognised on the settlement date. They are recognised at fair value at the time of acquisition. Directly attributable transaction costs increase the acquisition value unless they are recognised at fair value through profit or loss.

Financial assets are divided into the following measurement categories on the basis of the company's business model for managing such assets and the characteristics of the contractual cash flows:

- measured at amortised cost (AC);
- measured at fair value with changes in value recognised directly in equity in other comprehensive income (FVTOCI);
- measured at fair value with changes in value recognised in profit or loss for the period (FVTPL).

In both the reporting period and the comparative period of the previous year, The Grounds Group recognised only equity investments (interests) and loans and receivables, all of which – as in previous periods – were measured at (amortised) cost in accordance with IAS 39. The recognised equity investments are classified as assets in the 'FVTPL' category.

The equity investments recognised at the end of the reporting period are measured at fair value, based conceptually on their estimated future earnings potential as at the respective end of the reporting period. For immaterial equity investments, it was partially assumed that the amortised cost corresponds to fair value.

Deferred income taxes are recognised on any differences existing at the reporting date between the IFRS carrying amount of the investment and its corresponding tax base, provided that the related disposal gains would not be tax-exempt in the future and the amounts involved are material.

Impairment losses on financial assets measured at amortised cost are recognised in profit or loss and determined using the simplified impairment model in accordance with IFRS 9.5.5.15. This model calculates a value adjustment requirement taking into account existing collateral in the amount of the expected credit losses over the total term of the assets. If the reasons for impairment cease to apply in full or in part, the receivables are written up to a maximum of amortised cost and recognised in profit or loss. As soon as it becomes apparent 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 in other comprehensive income. Gains and losses accumulated in other comprehensive income are not recognised in profit or loss upon disposal of these financial assets. Dividends, on the other hand, are realised through profit or loss.

5.6.2 Financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less transaction costs. In subsequent periods, they are measured at amortised cost. Any difference between the amount paid out (after deduction of transaction costs) and the repayment amount is recognised 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 for at least 12 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 an appropriate term. Individual characteristics of the financial instruments being measured are taken into account through market-standard creditworthiness and liquidity spreads.

5.7 Fair value

The fair value of the financial assets and liabilities in The Grounds Group is determined on the basis of level 1, 2 and 3 input factors.

According to IFRS 13, fair value is defined as the price that would be received to sell an asset in an orderly transaction between knowledgeable, willing and independent market participants at the measurement date under current market conditions. The fair value can be determined using the market-based approach, the cost-based approach or the income-based approach. This maximises the use of relevant observable market input factors and minimises the use of unobservable input factors.

The input factors are categorised into the following levels of the fair value hierarchy:

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

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

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

If the individual input factors are allocated to different levels of the fair value hierarchy, they are first categorised into significant and non-significant input factors.

The classification of the entire fair value measurement is then based on the level of the lowest categorised significant input factor (IFRS 13.73).

5.8 Inventories

The Grounds Group's inventories consist of properties acquired for sale or development. They are recognised at the lower acquisition or production cost and net realisable value. The acquisition costs comprise the purchase price of the property plus directly attributable ancillary costs, such as estate agent costs, land transfer tax, notary costs and costs of land register entries. Production costs arise if and to the extent that refurbishment or development work is carried out on the property prior to disposal. Production costs include directly attributable material and labour costs, as well as costs of attributable external services and borrowing costs for qualifying assets. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5.9 Cash and cash equivalents

Cash and cash equivalents are recognised in the balance sheet at acquisition cost. For the purposes of the cash flow statement, cash and cash equivalents include cash, demand deposits with banks and other short-term, highly liquid financial investments with an original term of no more than three months.

5.10 Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if it is highly probable that they will be realised primarily through sale and not through continued use. These assets or the disposal group are recognised at the lower of their carrying amount and fair value less costs to sell.

5.11 Share-based remuneration

For share-based remuneration commitments (option rights) that were granted by The Grounds for the first time in the reporting period, compensation is provided for in the form of equity instruments (shares), although the Company also has the option of fulfilling the obligation through cash settlement. The fair value is determined at the time the options are issued and recognised as an expense on a pro rata basis over the vesting period of the beneficiaries with a corresponding increase in equity. Regarding capital market-dependent performance conditions of the remuneration commitments, the fair value of the options granted is determined on the issue date, taking these conditions into account using a recognised mathematical valuation model (Black-Scholes model) and is carried forward unchanged. No adjustment is thus made between expected and actual results for such market-based performance conditions. However, if the number of options granted changes, the amount recognised as an expense is adjusted. Such changes may also be due to the expected fulfilment of service and/or capital market-independent performance conditions.

5.12 Costs of raising equity

In accordance with IAS 32, the expenses directly attributable to raising equity are offset against the capital reserve without affecting profit or loss, less the associated income tax benefits, insofar as they relate to the issue of new equity instruments. Expenses that cannot be fully allocated to raising equity are divided into components to be offset directly against equity and those to be recognised as expenses in the income statement for the reporting period using appropriate keys.

5.13 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the company expects reimbursement of an amount recognised as a provision (e.g. due to an insurance policy), it recognises the reimbursement claim as a separate asset if reimbursement is virtually certain in the event that the obligation is utilised.

A provision for loss-making transactions is recognised if the expected benefit from the contractual claim is lower than the unavoidable costs of meeting the contractual obligation.

Provisions are measured at the probable outflow of resources. Non-current provisions are discounted at the risk-adjusted interest rate.

5.14 Deferred income taxes

Deferred income taxes are recognised 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. Deferred income taxes are generally determined using the tax rate applicable at the end of the reporting period for the respective reversal date.

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

Changes in deferred tax items are generally recognised in profit or loss. Exceptions to this are the recognition of deferred tax items outside profit or loss in the context of purchase price allocations for business combinations, and deferred tax items related to changes in value recognised directly in reserves, which are also recognised directly in reserves.

5.15 Borrowing costs

Borrowing costs relating to the production of a qualifying asset are capitalised. A qualifying asset is characterised by the fact that a substantial period of time is required to prepare it for its intended use or sale. This requirement is met in particular for the project developments carried out by The Grounds Group. Other borrowing costs are recognised as an expense in the consolidated statement of comprehensive income in the period in which they are incurred.

5.16 Revenue recognition

Revenue from customer contracts is recognised in the consolidated statement of comprehensive income as soon as control of the goods or services to be supplied has been transferred to the customer. They are recognised in the amount of the consideration to which the Group expects to be entitled after fulfilling its performance obligation at a point in time or over a period of time in accordance with the contractual agreements.

The Grounds Group’s revenue is mainly generated from the development and sale of flats and project properties as well as rental income and operating cost settlements.

Revenue from the sale of properties mainly comprises a single performance obligation within the meaning of IFRS 15. In the case of property sales without an economically relevant construction obligation, there is usually a time-related performance obligation. Control over the property is generally transferred to the buyer upon the transfer of possession, benefits, burdens and risk. An enforceable claim for payment arises at this point in time. In the case of disposals of property companies, this date coincides with the realisation of the share transfer. Revenue corresponds to the amount invoiced for the transaction. As the consideration is generally due upon the transfer of the legal title, this does not contain any significant financing component. If obligations to perform subsequent improvement or refurbishment work are assumed with the sale, the resulting proceeds are not realised until they are fulfilled, as these are to be regarded as separable performance obligations.

If the fulfilment of property purchase agreements with customers involves significant construction obligations, revenue is generally recognised over time based on the stage of completion of the construction project from the time the customer contract is concluded. The percentage of completion is generally determined on the basis of the ratio of the construction costs already incurred to the expected total costs of the project (cost-to-cost method). The resulting revenue is determined on the basis of the consideration stipulated in the customer contract. If contractual progress payments have been agreed that are calculated or collected according to performance-related milestones relating to the progress of construction work, a contract asset is capitalised for all services rendered up to a milestone and reported separately in the consolidated balance sheet. If the milestone payment exceeds the revenue previously recognised using the cost-to-cost method, a contract liability is recognised in the amount of the difference. The purchase agreements generally do not contain any significant financing components, as the period between revenue recognition and the respective milestone payment is less than one year.

Property projects for which no purchase contracts with customers have yet been concluded are recognised as inventory properties in accordance with IAS 2 until the contract is concluded.

Rental income is recognised on an accrual basis over the term of the lease in accordance with the underlying contractual provisions and reported under revenue. Ancillary/operating costs charged to tenants are generally offset against the corresponding expenses, as the apportionable expenses are deemed to have been incurred in the interests of the tenants.

Interest income is recognised on a time proportion basis and accrued according to the outstanding nominal amount and the applicable effective interest rate. The effective interest rate is the rate that exactly discounts the expected future cash receipts over the life of the financial asset to the net carrying amount of the asset at initial recognition.

5.17 Brokerage remuneration

Remuneration for brokering specific business transactions with customers must generally be capitalised as an asset and amortised. In view of their short-term nature, brokerage fees from The Grounds Group are recognised as an expense at the time the brokered transaction is fulfilled. Brokerage fees already paid up to this date are recognised as contract acquisition costs under other receivables.

6 Capital and Financial Risk Management

With the help of capital management, The Grounds pursues the goal of sustainably strengthening the Group's liquidity and equity base, providing funds for the Group's equity-financed growth and generating an appropriate return on capital employed.

Financial risk management involves controlling and limiting the financial risks arising from operating activities. In particular, the liquidity risk (the avoidance of disruptions in solvency) and the default risk (risk of loss if a contracting party fails to fulfil its contractual obligations) must be considered here.

Responsibility for liquidity risk management lies with the Management Board, which has established a system appropriate to the size of the company for managing short, medium and long-term financing and liquidity requirements. The Group manages liquidity risks by maintaining adequate cash and cash equivalents, credit lines with banks and other facilities as well as by constantly monitoring forecast and actual cash flows as part of continuous rolling liquidity controlling and reconciling the maturity profiles of financial assets and liabilities.

To minimise default risks, The Grounds Group only enters into sales-side business relationships with creditworthy contracting parties.

7 Critical Accounting Estimates and Assumptions

The preparation of the IFRS consolidated financial statements also requires estimates and assumptions 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. Although these assumptions and estimates are made to the best of management's knowledge on the basis of the latest reliable information available, they will, by their very nature, rarely correspond to actual circumstances.

Estimates and assumptions had to be made for the following items in particular:

- Measurement of goodwill
- Measurement of investment property
- Measurement of properties recognised in inventories
- Assessment of whether a property is to be sold in the short term (IAS 2) or held for long-term income generation (IAS 40)
- Valuation of high-risk receivables
- Recognition of current and deferred tax items, in particular with regard to the realisability of deferred tax assets.
  There are uncertainties regarding the interpretation of complex tax regulations. Therefore, differences between the actual results and our assumptions or future changes to our estimates may result in changes to the tax result in future periods.
- Recognition and measurement of provisions based on existing ranges of estimates of possible future charges to the Group.
- Estimation of the hidden reserves to be recognised as part of the purchase price allocation for business combinations
- Estimation of the expected total costs to determine the progress of work in the context of period-related revenue realisation for construction services using the cost-to-cost method

Changes in estimates and assumptions are recognised in profit or loss when the underlying better knowledge becomes 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 developed as follows:

	Goodwill		Other intangible assets		Property, plant and equipment	
	2024	2023	2024	2023	2024	2023
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Acquisition/production cost	1,942	1,942	20	20	269	346
Accumulated depreciation/ amortisation	0	0	5	4	89	115
Carrying amount as at 1 Jan.	**1,942**	**1,942**	**15**	**16**	**180**	**231**
Additions (+)	0	0	0	1	34	30
Additions from initial consolidation (+)	0	0	0	0	0	0
Disposals (–)	0	0	0	–1	–21	–107
Depreciation/amortisation (–)	–1,942	0	–2	–2	–34	–37
Additions to depreciation/ amortisation from initial consolidation (–)	0	0	0	0	0	0
Disposals – depreciation (–)	0	0	0	–1	–17	–63
Carrying amount as at 31 Dec.	**0**	**1,942**	**13**	**15**	**176**	**180**
Cost	1,942	1,942	20	20	282	269
Accumulated depreciation/ amortisation	1,942	0	7	5	106	89

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 business and office equipment	
	2024	2023	2024	2023	2024	2023
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Cost	447	447	217	147	12	12
Accumulated depreciation/ amortisation	290	201	134	81	12	9
Carrying amount as at 1 Jan.	**157**	**246**	**83**	**66**	**0**	**3**
Additions (+)	0	0	14	70	0	0
Additions from initial consolidation (+)	0	0	0	0	0	0
Disposals (–)	0	0	0	0	0	0
Depreciation/amortisation (–)	–90	–89	–44	–53	0	–3
Additions to depreciation/ amortisation from initial consolidation (–)	0	0	0	0	0	0
Carrying amount as at 31 Dec.	**67**	**157**	**53**	**83**	**0**	**0**
Cost	447	447	231	217	0	12
Accumulated depreciation/ amortisation	380	290	178	134	0	12

8.3 Lessor relationships

The rental agreements of The Grounds Group classified as operating leases resulted in rental income of EUR 1,767 thousand (previous year: EUR 1,972 thousand) in the reporting period. Of this amount, EUR 125 thousand (previous year: EUR 297 thousand) was attributable to inventory and project properties and EUR 1,642 thousand (previous year: EUR 1,793 thousand) to investment properties.

In 2024, the operating leases of The Grounds Group mainly relate to the letting of residential properties, which are subject to a statutory notice period of three months on the part of the tenants. The existing rental agreements for the current property portfolio are expected to generate minimum lease payments of around EUR 416 thousand in the 2025 financial year, of which EUR 32 thousand is attributable to the inventory properties that are to be sold as part of the individual privatisation. The future minimum lease payments for the non-cancellable basic lease term from the longer-term letting of commercial properties are of minor importance.

8.4 Equity investments

The recognised equity investments relate to a 10.1% share in ZuHause in Heubach GmbH & Co. KG, Stuttgart, and a 3.4% stake in PropTech1 Fund I Carry GmbH & Co. KG, Berlin, which are recognised as acquisition cost. Due to the lack of differences between the carrying amounts of investments under IFRS and the tax values, no deferred taxes had to be recognised.

8.5 Equity-accounted investments

The equity-accounted investments developed as follows:

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Beginning of the financial year	**2,279**	**2,316**
Disposals of interests	−2,265	0
Share of profit or loss	−14	−37
End of the financial year	**0**	**2,279**

8.6 Investment property

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Beginning of the financial year	**35,131**	**36,109**
Additions (+)	492	331
Reclassifications to non-current assets held for sale (−)	−290	0
Disposals (−)	0	0
Appreciation (+)	476	0
Depreciation (−)	−734	−1,309
End of the financial year	**35,075**	**35,131**

The addition in 2024 is mainly due to modernisation measures carried out in the Margaretenstr. property and in the Stendal/Prignitz portfolio.

The investment properties are encumbered with land charges to collateralise liabilities to banks in the amount of EUR 19,936 thousand (previous year: EUR 18,802 thousand).

Independent expert opinions were obtained to determine the fair values of the investment properties as at the reporting date. The valuations include estimates that are not observable on the market, in particular the expected future rental income and operating costs. On this basis, the fair value totalled EUR 35,075 thousand as at the end of the reporting period.

The following overview shows the key assumptions and results used to determine the fair value of the investment property as part of the valuation using the income capitalisation approach:

Measurement parameter	Unit	Mean 31 Dec. 2024	Range 31 Dec. 2024
Property interest rate	in %	4.41%	1.05% to 6.50%
Remaining useful life	Years	40	35 to 50
Market rent	EUR/m²	6.98	4.25 to 10.00
Operating costs	% of gross profit	23.08%	16.61% to 34.23%

Measurement results	Unit	Mean 31 Dec. 2024	Range 31 Dec. 2024
Target rent multiplier	Factor	16.0	7.5 to 32.3
Market value per m²	EUR/m²	1,342	381 to 3,880

Measurement parameter	Unit	Mean 31 Dec. 2023	Range 31 Dec. 2023
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%	16.40% to 31.12%

Measurement results	Unit	Mean 31 Dec. 2023	Range 31 Dec. 2023
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 for the valuation had been increased by 0.5 percentage points when determining the fair values of these properties, the total fair value would have been EUR 31,925 thousand (previous year: EUR 31,841 thousand). Conversely, if the property interest rate had been reduced by 0.5 percentage points, the fair value would have amounted to EUR 38,575 thousand (previous year: EUR 38,361 thousand). The 10% reduction in market rent would result in a fair value of the properties of EUR 30,975 thousand (previous year: EUR 31,011 thousand). Conversely, if the market rent had been increased by 10%, the fair value of the properties would have amounted to EUR 38,935 thousand (previous year: EUR 38,861 thousand). If the vacancy rate had been reduced by 1%, the fair value of the properties would have amounted to EUR 35,465 thousand (previous year: EUR 35,411 thousand). On the other hand, the fair value of the properties would decrease to EUR 34,575 thousand (previous year: EUR 34,491 thousand), if the vacancy rate had increased by 1%.

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

	2024	2023
	TEUR	TEUR
Rental income (revenue)	1,642	1,792
Cost of materials	–561	–411
Maintenance expenses	–127	–183
Total	**954**	**1,198**

8.7 Other financial assets

Other financial assets are composed as follows:

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Shares in cooperatives	160	145
Total	**160**	**145**

8.8 Inventories

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

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Work in progress	1,180	1,149
Properties under construction	85,398	81,331
Properties ready for sale	4,972	6,348
Advance payments made	1,012	2,652
Total	**92,562**	**91,480**

Work in progress relates to receivables from operating costs not yet settled, properties under construction comprise development projects in the planning and structural construction phases and the advance payments were made for the acquisition of an additional property.

Inventories include properties under construction in the amount of EUR 85,398 thousand (previous year: EUR 53,683 thousand) and properties ready for sale in the amount of EUR 3,589 thousand (previous year: EUR 5,384 thousand), the sale of which is not expected to be realised within the next 12 months.

Capitalised borrowing costs of EUR 4,481 thousand (prior year: EUR 3,764 thousand) are included in properties under construction.

8.9 Contract assets

There were no contract assets as at 31 December 2024. The contract assets in the previous year, totalling EUR 169 thousand, were classified as current. They related in full to construction services already rendered for two residential construction projects in Magdeburg and Berlin.

8.10 Trade receivables

Trade receivables mainly result from invoices for services. The development of trade receivables is shown in the following overview:

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Trade receivables (gross)	1,355	2,675
Write-downs	−157	−107
Trade receivables (net)	**1,198**	**2,568**

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

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Trade receivables	**1,355**	**2,568**
of which not impaired and not past due as at the reporting date	17	2,050
of which not impaired but past due as at the reporting date up to 30 days	14	25
of which not impaired but past due as at the reporting date between 31 and 60 days	267	30
of which not impaired but past due as at the reporting date between 61 and 90 days	28	3
of which not impaired but past due as at the reporting date between 91 and 180 days	70	409
of which not impaired but past due as at the reporting date between 181 and 360 days	151	34
of which not impaired but past due as at the reporting date more than 360 days	806	18
Net value of impaired trade receivables	**156**	**107**

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. 2024	31 Dec. 2023
	TEUR	TEUR
Receivables from investees	314	610
Receivables from loans to related parties	510	10
Other receivables from related parties	1,746	60
Receivables from reimbursement claims	400	0
Receivables from loans to third parties	68	1,809
Costs to obtain contracts	77	726
Receivables from VAT	122	484
Tax refund claims	60	109
Deposits	108	108
Bank balances pledged as collateral	3,961	2,918
Miscellaneous other receivables	419	295
Total	**7,785**	**7,129**

As in the previous year, the loans to related parties recognised in the amount of EUR 10 thousand (previous year: EUR 10 thousand) bear interest at an annual rate of 5%. The item also includes a loan of EUR 500 thousand (previous year: EUR 1,500 thousand) which, as in the previous year, bears interest at 3% p.a. and was reclassified as loans to third parties to receivables from loans to related parties due to changes in the company structure.

Receivables from related parties primarily comprise EUR 552 thousand in outstanding contributions from the capital increase, which were paid in shortly after the balance sheet date, and EUR 1,133 thousand in recharged planning costs in connection with the seller's withdrawal from the pending purchase agreement for the project in Bad Zwischenahn.

The receivables from reimbursement claims amounting to EUR 400 thousand also relate to this project but do not involve any related parties or entities.

Receivables from investees primarily relate to loan receivables including accrued interest of EUR 657 thousand due from an associate, against which impairment losses of EUR 350 thousand were recognised.

8.12 Cash

Cash and cash equivalents include bank balances due on demand.

8.13 Non-current assets held for sale

By contract dated 14 October 2024, the property at Rudolph-Breitscheid-Str. 6 in Wittenberge was sold with effect from 1 January 2025.

8.14 Equity

The Company's issued capital amounted to EUR 49,454,740 as at the end of the reporting period and is divided into 49,454,740 ordinary bearer shares. It developed as follows in the reporting period:

	31 Dec. 2024	31 Dec. 2023
	EUR	EUR
Beginning of the financial year	**17,805,517**	**17,805,517**
Capital reduction	8,902,759	0
Capital increase	40,551,982	0
End of the financial year	**49,454,740**	**17,805,517**

The company's share capital was reduced by EUR 1.00 to EUR 17,805,516.00 by resolution of the Annual General Meeting on 19 September 2024 through the redemption of one share using the simplified redemption procedure. The amount released by the capital reduction was transferred to the capital reserve in accordance with section 237 (5) AktG.

The simplified reduction of the share capital by EUR 8,902,758.00 to EUR 8,902,758.00 resolved by the Annual General Meeting on 19 September 2024 was entered in the commercial register on 10 December 2024. The capital reduction served to cover losses and was the prerequisite for the implementation of necessary further capital measures.

The increase in the company's reduced share capital against cash contributions, also resolved by the Annual General Meeting on 19 September 2024, was implemented by issuing 40,551,982 new ordinary registered shares at an issue price of EUR 1.00 per share on 30 December 2024.

By resolution of the Annual General Meeting on 27 August 2021, the Management Board was authorised, with the approval of the Supervisory Board, to increase the Company's share capital once or several times by a total of up to EUR 8,902,758 in return for cash and/or non-cash contributions by 26 August 2026, whereby shareholders' subscription rights may be excluded (Authorised Capital 2021/I).

By resolution of the Annual General Meeting on 28 August 2020, the Company's share capital was conditionally increased by up to EUR 1,750 thousand to fulfil a share option programme for members of the Management Board and other managers (Contingent Capital 2020/I). In addition, the share capital is conditionally increased by up to EUR 7,152,758 on the basis of the Annual General Meeting resolution of 2 August 2018 (together with the amendment resolution of 28 August 2020) for the purpose of servicing convertible bonds and/or bonds with warrants and/or profit participation rights (Contingent Capital 2018/I).

The capital reserve includes issue amounts for shares that were generated in excess of the amount of subscribed capital in past capital increases, as well as additions from the issue of share-based remunerations and the recognition of the equity component of the convertible bond issued in the 2021 financial year. These amounts are reduced costs of raising equity (after deduction of income taxes) and by EUR 1.00 due to withdrawals to compensate for losses and the cancellation of one share.

In the reporting year, a total of EUR 130 thousand was added to the capital reserve as a result of the issue of share-based payments (option rights) within the meaning of IFRS 2.

Retained earnings result from transactions recognised directly in equity when the IFRS consolidated financial statements were prepared for the first time.

The adjustment item from business combination is based on the reverse acquisition between The Grounds and The Grounds Real Estate GmbH (formerly: AG) in the 2017 financial year.

The retained profit results from the Group's earnings up to the end of the reporting period that have not been distributed.

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

The summarised financial information of the subsidiaries with material non-controlling interests for The Grounds Real Estate Development AG as at 31 December 2024 is presented below:

	31 Dec. 2024
	TEUR
Total current assets	89,012
Total non-current assets	326
Total current liabilities	78,697
Total non-current liabilities	2,259
Net assets	8,382
Revenue	4,841
Loss for the year	−7,676
of which attributable to the shareholders of The Grounds Real Estate Development AG	−4,825
of which attributable to non-controlling interests	−2,851

The summarised financial information of the subsidiaries with material non-controlling interests for The Grounds Real Estate Development AG as at 31 December 2023 is presented below:

	31 Dec. 2023
	TEUR
Total current assets	85,021
Total non-current assets	2,156
Total current liabilities	70,892
Total non-current liabilities	5,602
Net assets	10,683
Revenue	13,670
Profit for the year	508
of which attributable to the shareholders of The Grounds Real Estate Development AG	757
of which attributable to non-controlling interests	−249

8.15 Financial liabilities

The Company's financial liabilities are as follows:

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Non-current financial liabilities		
Liabilities to banks and other lenders	13,793	10,823
Current financial liabilities		
Liabilities to banks and other lenders	51,729	61,856
Total financial liabilities	**65,522**	**72,679**

Liabilities to banks and from subordinated loans with a nominal value of EUR 58,571 thousand (previous year: EUR 67,325 thousand) are collateralised with land charges. Of this, an amount of EUR 13,498 thousand (previous year: EUR 17,691 thousand) is attributable to subordinated loans. Furthermore, liabilities are collateralised by pledges on bank accounts, the assignment of claims for damages and the assignment of sales and rental receivables. The Grounds Real Estate Development AG has also issued guarantees and hard letters of comfort for financial liabilities totalling a nominal amount of EUR 26,838 thousand. The Company shares were further pledged for financial liabilities totalling a nominal amount of EUR 17,480 thousand.

There are also contractual obligations to comply with financial covenants for financial liabilities totalling EUR 17,480 thousand (previous year: EUR 18,829 thousand). The financial covenants primarily relate to industry-standard requirements regarding the so-called loan-to-value ratio (the ratio of outstanding debt to the market value of the collateral property) as well as the debt service cover ratio (DSCR), i.e. the entity's ability to meet expected debt service obligations from earnings.

The financial liabilities include subordinated loans totalling EUR 5 thousand, which were granted by related parties and bear interest at 7% p.a. The financial liabilities also include shareholder loans totalling EUR 1,854 thousand from co-shareholders from joint venture projects.

All loans are denominated in euros.

8.16 Bonds

In February 2021, The Grounds issued a bullet convertible bond with a nominal denomination of EUR 1,000 each, a three-year term 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 net proceeds from the issue were primarily used to acquire new property assets.

After the conversion right was not exercised, the bond was extended in the reporting period by three years until February 2027, structured as a non-convertible bond and the nominal interest rate was adjusted. The nominal interest rate was 8.0% p.a. until 17 August 2024 and, thereafter, 0.0% p.a. until the scheduled maturity of the bond (zero coupon). Insofar as interest payments are due, these must be made semi-annually on 18 August and 18 February each year.

In balance sheet terms, the original convertible bond was split into an equity and a debt component. The value of the equity component on the issue date was calculated at EUR 568 thousand, taking into account the issue costs and an appropriate nominal interest discount for the conversion right from the payments to be made. This amount is recognised in the capital reserve. The recognised carrying amount of the bond includes the amortised performance obligation of the debt component as at the respective end of the reporting period.

The reduction in the nominal interest rate in the reporting period was associated with a substantial change in the financing conditions. For this reason, and in accordance with IFRS 9.3.3.2, the previously recognised debt component has been derecognised and a new debt instrument has been recognised, with the difference in value and the expenses associated with the bond amendment totalling EUR 2,998 thousand recognised in profit or loss. Furthermore, the bond condition includes a contractual obligation to limit net financial debt in relation to adjusted total assets.

In October 2023, The Grounds issued a bullet bond with an original term until 31 December 2024, a total nominal amount of EUR 10.0 million and a nominal interest rate of 20.0% p.a. The bond was subscribed by The Grounds' current majority shareholder, Tempus Holdings 112 S.à r.l., Senningerberg/Luxembourg – a fund managed by the H.I.G. Capital

Group. The bond conditions also include contractual obligations to comply with financial covenants as well as collateralisation through the pledging of Company shares and the assignment of shareholder loans and sales receivables. In the reporting period, the bond was increased to EUR 17.0 million and its term was extended until 31 December 2029. Furthermore, a separate agreement with the former majority shareholder stipulated that the bondholder may, under certain conditions and within a specified period, convert their claims into shares of the Company. In light of the agreed regulations, however, the bond had not yet been reclassified as an equity instrument as at the end of the reporting period.

Interest expenses totalling EUR 2,921 thousand (previous year: EUR 1,820 thousand) were recognised for the bonds in the reporting period. The interest payments from this bond are not made until the final maturity of the bond.

8.17 Lease liabilities

Lease liabilities break down as follows:

Maturity	Up to 1 year		> 1 year to 5 years		> 5 years	
	2024	2023	2024	2023	2024	2023
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Payments	145	185	135	240	1,574	1,601
Interest portion	26	33	91	97	832	855
Principal portion	119	152	44	143	742	746

There were no expenses from short-term leases for which the practical expedient under IFRS 16.6 was applied during 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 2024	**83**	**1,244**	**71**	**100**	**3,514**	**5,012**
Utilisation	83	1,102	71	0	0	1,256
Reversal	0	17	0	0	1	18
Addition	158	379	194	200	0	931
Reclassification	0	0	0	0	3,500	3,500
31 December 2024	**158**	**504**	**194**	**300**	**13**	**1,169**

In the previous year, the provisions mainly included a provision of EUR 3,500 thousand for a possible claim arising from the assumption of joint and several liability by The Grounds Real Estate Development AG for a loan granted to the equity project company HAT 3 Projektentwicklungsgesellschaft mbH. In the reporting period, the amount was reclassified from provisions to other liabilities. The background to this is the conclusion of a supplementary agreement in 2024 to release the company from joint and several liability in return for payment of a fee of EUR 3,500 thousand.

8.19 Trade payables

Trade payables developed as follows:

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Trade payables	**3,501**	**4,993**

As at the balance sheet date, liabilities largely include outstanding invoices for construction and related costs.

8.20 Advance payments received

Advance payments received developed as follows:

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Advance payments received	**1,015**	**1,474**

The advance payments received consist of advance payments for operating costs from tenants. In the previous year, in addition to advance payments received for operating cost advance payments, the total also included purchase price instalments received based on construction progress for already sold newly built flats, amounting to EUR 410 thousand.

8.21 Other liabilities

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

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Liabilities to related parties	3,586	97
Liabilities from loans to related parties	0	56
Liabilities from loans to associates	0	2,529
Retention of collateral	110	180
Value-added tax (VAT)	28	23
Non-controlling interests in partnerships	85	3,511
Other miscellaneous liabilities	677	195
Other liabilities	**4,486**	**6,591**

Liabilities to related parties include the amount of EUR 3,500 thousand reclassified from provisions in the financial year from the 2024 supplementary agreement to release the company from joint and several liability under a loan.

Furthermore, The Grounds App 2 GmbH & Co. KG was converted into a GmbH in the financial year. This resulted in a reclassification from other liabilities to non-controlling interests in partnerships to equity to non-controlling interests in the amount of EUR 3,157 thousand.

The other miscellaneous liabilities include wage taxes.

8.22 Current income tax liabilities

Current income tax liabilities totalling EUR 2,202 thousand (previous year: EUR 2,765 thousand) include corporation tax liabilities of EUR 443 thousand (previous year: EUR 591 thousand) and trade tax liabilities of EUR 1,759 thousand (previous year: EUR 2,174 thousand).

8.23 Deferred tax

The change in deferred taxes is as follows:

	2024	2023
	TEUR	TEUR
Deferred tax assets	3,818	2,465
Deferred tax liabilities	−5,304	−6,543
Net deferred taxes at the beginning of the financial year	**−1,486**	**−4,078**
Recognised directly in equity from costs of raising equity	232	0
Disposals from deconsolidation of companies	178	0
Disposal of deferred tax liabilities recognised directly in equity	662	0
Expense (−)/Income (+) in the income statement	−823	2,592
Net deferred taxes at the end of the financial year	**−1,239**	**−1,486**
Deferred tax assets	3,371	3,818
Deferred tax liabilities	−4,610	−5,304

Cause	Differences in inventories	Costs of raising equity	Tax loss carry-forwards	Total
	TEUR	TEUR	TEUR	TEUR
As at 1 January 2024	**1,089**	**4**	**2,725**	**3,818**
Amounts recognised through profit or loss	329	**0**	−1,008	−679
Recognised directly in equity from costs of raising equity	0	**232**	0	232
As at 31 December 2024	**1,418**	**236**	**1,717**	**3,371**

Deferred tax assets from loss carryforwards are recognised at the amount at which the realisation of the associated tax benefits through future taxable profits is probable. The recognised deferred tax assets from loss carryforwards relate to various subsidiaries. Based on its projections, the Company assumes that it will be able to utilise the loss carryforwards over the next five financial years.

Furthermore, there are unused corporation tax loss carryforwards of approximately EUR 3.8 million and unused trade tax loss carryforwards of approximately EUR 10.0 million.

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 2024	**−273**	**−463**	**−2,965**	**−192**	**−305**	**−1,106**	**−5,304**
Amounts recognised through profit or loss	0	−891	757	168	305	−483	−144
Disposal recognised directly in equity	0	0	662	0	0	0	662
Disposals from deconsolidation of companies	178	0	0	0	0	0	178
As at 31 December 2024	**−95**	**−1,354**	**−1,548**	**−24**	**0**	**−1,589**	**−4,610**

8.24 Revenues

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

	2024	2023
	TEUR	TEUR
Revenue from the sale of inventory property	9,529	21,458
Revenue from the sale of investment property	0	450
Rental income	1,767	1,879
Other	1,598	16
Total	**12,894**	**23,803**

In the reporting year, income from operating costs was netted against expenses in changes in inventories for the first time. The previous year's figures have also been adjusted for the sake of improved comparability.

Other revenue includes recharged planning costs totalling EUR 1,591 thousand as part of the seller's withdrawal from the pending purchase agreement for the project in Bad Zwischenahn.

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:

Sale of properties	2024	2023
	TEUR	TEUR
Services for a point in time	1,456	2,783
Services over a period of time	8,073	19,125
Total revenue from contracts with customers	**9,529**	**21,908**

The point-in-time performance obligations relate to sales from portfolio development, while the period-based performance obligations refer to revenue recognition using the percentage-of-completion method (POC) for land development projects.

8.25 Other operating income

Other operating income includes the following amounts:

	2024	2023
	TEUR	TEUR
Reversal of entitlements from the share option programme	0	316
Reversal of provisions	18	92
Gain on disposal of non-current assets	0	22
Profit from deconsolidation	436	0
Other miscellaneous operating income	244	163
Total	**698**	**593**

8.26 Changes in inventories

Changes in inventories in the 2024 financial year relate to work in progress from service charge settlements with tenants, amounting to EUR 963 thousand (previous year: EUR 922 thousand). The positive contribution to profit under changes in inventories is primarily attributable to the settlement of operating costs for the previous year.

8.27 Cost of materials

The cost of materials for The Grounds Group is composed as follows:

	2024	2023
	TEUR	TEUR
Acquisition/production costs of the properties sold and construction costs from inventories	9,944	12,493
Expenses from the sale of investment property	0	450
Expenses for raw materials and consumables used	1,436	1,467
Impairment losses	4,725	3,250
Purchased services	1,453	2,974
Total	**17,558**	**20,634**

Cost of materials includes an impairment loss of EUR 4,225 thousand on the Blankenfelde-Mahlow project reported under inventories, and EUR 500 thousand in project development costs from the Bad Zwischenahn project that could not be passed on or recharged.

Expenses for purchased services relate to selling costs from the sale of properties.

Expenses for raw materials, consumables and supplies include operating costs that, to the extent allocable, are recharged to tenants.

8.28 Staff costs

Staff costs are composed as follows:

	2024	2023
	TEUR	TEUR
Salaries, other benefits	1,434	1,632
Social security contributions and expenses for pension and welfare benefits	178	202
Total	**1,612**	**1,834**

An expense of EUR 130 thousand was recognised under salaries and other benefits for share-based remuneration granted to executives in the 2024 financial year. For further information on determining the fair value of this remuneration component, please refer to section 10.2 Share-based remuneration. As the expenses from the share-based remuneration are not tax-deductible, no deferred income taxes were recognised.

8.29 Other operating expenses

Other operating expenses include the following amounts:

	2024	2023
	TEUR	TEUR
Costs for premises	54	64
Insurance, contributions and levies	99	127
Repairs and maintenance	61	56
Motor vehicle costs	50	75
Advertising and travel expenses	103	307
Legal and consultancy fees	220	590
Financial statements and audit costs	259	181
Losses on the disposal of non-current assets	4	0
Compensation costs	0	190
Non-deductible input tax	287	246
Third-party services	0	20
Stock exchange costs	44	68
Supervisory Board remuneration	68	68
Losses on receivables	27	62
Addition to impairment allowances	350	0
Expenses of debt assumption	0	3,500
Other miscellaneous operating expenses	551	563
Total	**2,177**	**6,117**

8.30 Financial result

Interest expenses include interest expenses from leases amounting to EUR 35 thousand (previous year: EUR 20 thousand). Interest income includes income from the discounting of the zero-coupon bond in the amount of EUR 2,998 thousand (previous year: EUR 0 thousand).

8.31 Income tax expense/income

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

	2024	2023
	TEUR	TEUR
Current income tax expenses/income	−214	−1,081
Deferred income tax expense/income	−823	2,601
Total	**−1,037**	**1,520**

The reported income tax expense/income differs from the theoretical amount that would result from applying the company's average income tax rate as the parent of the Group to profit before tax:

Tax reconciliation	2024	2023
	TEUR	TEUR
Profit before tax	−12,519	−8,815
Income taxes determined on the basis of the parent company's income tax rate	3,778	2,660
Effect of		
... tax-exempt income/non-deductible expenses	−1,769	−1,056
... non-recognition of deferred tax assets on loss carryforwards	−1,622	−91
... initial recognition of deferred tax	−296	0
... consolidation entries through other comprehensive income	−339	0
... other causes	−788	−87
Reported income tax expense/income	**−1,036**	**1,520**

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 the profit attributable to the parent Company's shareholders divided by the time-weighted average number of shares outstanding during the financial year, excluding treasury shares held by the company.

	2024	2023
Profit attributable to the parent company's shareholders (TEUR)	−10,705	−7,046
Average number of shares outstanding (units)	18,077,995	17,805,517
Basic earnings per share (EUR)	**−0.59**	**−0.40**

No dividends were paid for the preceding financial year in the 2024 financial year. A dividend payment is not planned for the 2024 financial year either.

8.33 Consolidated Cash Flow Statement

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

Cash flow from operating activities is calculated using the indirect method. It amounts to EUR −10,043 thousand (previous year: EUR −14,880 thousand). This includes income tax payments of EUR 723 thousand (previous year: EUR 2,778 thousand).

In the financial year, total interest payments of EUR 10,418 thousand (previous year: EUR 7,919 thousand) were made. Interest payments of EUR 4,481 thousand (previous year: EUR 3,764 thousand) were capitalised as borrowing costs as part of the production costs of qualifying assets (properties under construction) and are allocated to cash flow from operating activities. The remaining interest payments of EUR 5,937 thousand (previous year: EUR 4,155 thousand) are allocated to cash flow from financing activities.

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

	2024	2023
	TEUR	TEUR
Opening balance	**99,947**	**80,104**
Cash changes	–585	19,843
Non-cash changes	330	0
Closing balance	**99,692**	**99,947**

The liquidity reported under cash and cash equivalents includes bank balances and is composed as follows:

	31 Dec. 2024	31 Dec. 2023
	TEUR	TEUR
Cash	27,574	3,028
Cash and cash equivalents at the end of the period	**27,574**	**3,028**

8.34 Other financial obligations

In a purchase agreement dated 19 December 2024, a property company of The Grounds concluded the acquisition of a single-family home portfolio comprising a total of 79 terraced and semi-detached houses for a purchase price of EUR 20,000 thousand. The economic transition is scheduled for the second quarter of 2025.

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. 2024	**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	1,198	0	1,198	1,198
Other receivables and assets	0	7,785	0	7,785	7,785
Total financial assets	**2**	**8,983**	**0**	**8,985**	**8,985**
Financial liabilities	0	0	65,522	65,522	65,522
Bonds	0	0	34,170	34,170	29,201
Advance payments received	0	0	1,015	1,015	1,015
Trade payables	0	0	3,501	3,501	3,501
Other liabilities	0	0	4,486	4,486	4,486
Total financial liabilities	**0**	**0**	**108,694**	**108,694**	**108,694**

* Fair value through profit or loss

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	22,397
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	6,591	6,591	6,591
Total financial liabilities	**0**	**0**	**113,005**	**113,005**	**113,005**

* Fair value through profit or loss

With regard to the recognised equity investments, their acquisition costs represent a suitable estimate of fair value, as the conditions have not changed significantly since acquisition.

Trade receivables and other receivables mainly have short remaining terms. Their carrying amounts as at the end of the reporting period therefore correspond approximately to their fair values. The same applies to advance payments received, trade payables and other liabilities.

Financial liabilities were initially recognised at fair value less transaction costs, which regularly corresponded to the acquisition costs.

As a result, the carrying amount of the financial liabilities and bonds as at the balance sheet date represents the value measured at amortised cost using the effective interest method. The zero bond was recognised at its market value as fair value. Taking into account the otherwise predominantly rapid repayment of the loans, the fair value in subsequent periods approximates the amortised cost.

The accrual of transaction costs using the effective interest method led to a reduction in financial liabilities and bonds of EUR 815 thousand (previous year: EUR 560 thousand).

The net result from financial instruments by measurement category in accordance with IFRS 9 for the period from 1 January to 31 December 2024 and the previous year is as follows:

	Financial assets at amortised cost		**Other financial liabilities**	
	2024	**2023**	**2024**	**2023**
	TEUR	TEUR	TEUR	TEUR
Interest income	33	133	0	0
Interest expenses	0	0	–6,646	–4,460
Net result	**33**	**133**	**–6,646**	**–4,460**

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

b) Financial risk

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 assets, 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 show the undiscounted contractually agreed interest and amortisation payments for financial liabilities falling within the scope of IFRS 7:

31 December 2024	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	**99,693**	**55,188**	**4,231**	**75,662**
Trade payables	3,501	3,501	0	0
Other liabilities	4,486	2,825	661	1,000
Cash outflows from trade and other payables	**7,987**	**6,326**	**661**	**1,000**
Cash outflows for liabilities within the scope of IFRS 7	**107,681**	**61,514**	**4,892**	**76,662**

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	6,591	6,457	134	0
Cash outflows from trade and other payables	**11,584**	**11,450**	**134**	**0**
Cash outflows for liabilities within the scope of IFRS 7	**111,531**	**100,575**	**2,634**	**8,322**

In the case of interest-bearing loans with variable interest rates, interest payments in future reporting periods were determined on the basis of the interest rates existing at end of the respective reporting periods.

The balance sheet includes current financial liabilities totalling EUR 51.7 million. If repayment is not secured by sales agreements that have already been concluded, there is a refinancing risk that could also lead to liquidity problems. The Grounds endeavours to extend financing ahead of time if necessary. There were no financial liabilities due as at the publication date.

The Grounds Group has cash and cash equivalents totalling EUR 27,574 thousand (previous year: EUR 3,028 thousand) available 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 the issuance of subordinated loans in the amount of EUR 13,498, which, conversely, also offers the opportunity to earn a risk-adequate and comparatively high rate of return. Project-related lending also represents a concentration of risk as at the respective reporting date.

Interest rate risk

An interest rate risk arises from the conclusion of variable-interest credit facilities, in the context of possible follow-up financing or in the event of a significant change in conditions on the capital market. The Grounds Group's existing variable-interest credit facilities relate exclusively to current financial liabilities and can therefore only lead to higher interest payments for the financial liabilities entered into to a limited extent.

A sensitivity analysis is used to determine the impact of a change in the interest rate level on profit or loss as at the end of the reporting period. It is assumed that the respective portfolio of financial instruments subject to interest rate risk on the end of the reporting period is representative of the respective reporting period. In relation to the outstanding financial liabilities as at 31 December 2024, a 0.5% higher/lower loan interest rate would have led to an increase/decrease in interest expenses of approximately EUR 500 thousand.

Taking into account the existing interest rate sensitivities, the interest rate risk is assessed as moderate due to its limited impact on the carrying amount and profit or loss, as well as the currently stable and favourable capital market conditions.

9 Events After the End of the Reporting Period

On 16 January 2025, Stelios Theodosiou, Managing Director at H.I.G. Realty Partners, London, and Daniel Wöhler, Director and Head of DACH at H.I.G. Realty Partners, London, were newly appointed to the Supervisory Board of The Grounds Real Estate Development AG. In return, Eric Mozanowski and Thomas Bergander have resigned from the Supervisory Board.

The Supervisory Board of The Grounds Real Estate Development AG has appointed Andrew Wallis as Chief Financial Officer (CFO) with effect from 1 March 2025. Andrew Wallis will manage the Company together with Jacopo Mingazzini.

10 Other Disclosures

10.1 Composition and remuneration of executive bodies

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

- Jacopo Mingazzini, Berlin, business graduate (Dipl.-Kfm.) and real estate economist
- Andrew Wallis, Berlin, MBA, CFA (since 1 March 2025)

The total remuneration granted for Management Board activities in the reporting period amounted to EUR 347 thousand (previous year: EUR 509 thousand). These relate to fixed and variable remuneration for current Management Board activities amounting to EUR 261 thousand (previous year: EUR 394 thousand) and expenses of EUR 86 thousand (previous year: EUR 115 thousand) 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 in the reporting period:

- Dr Peter Maser, lawyer, Chairman
- Thomas Bergander, business economist and financial economist, Deputy Chairman
- Eric Mozanowski, businessman

With regard to changes in the Supervisory Board, please refer to the comments under section 9, 'Events after the end of the reporting period'.

The total remuneration granted for Supervisory Board activities in the reporting period totalled EUR 68 thousand (previous year: EUR 70 thousand). This relates exclusively to short-term remuneration for ongoing Supervisory Board activities.

10.2 Share-based remuneration

In October 2020, The Grounds 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. It is currently assumed that all options are to be fulfilled by physical delivery of shares.

The share option programme provides for a four-year waiting period from the date of issue, during which the share options granted cannot be exercised. Furthermore, issued share options may expire under certain conditions if the beneficiary's employment relationship with companies in The Grounds Group ends within a period of three years from the date of issue.

The number of share options granted is at the discretion of the Company's executive bodies and is not based on the fulfilment of specific performance targets formalised in the share option programme. The exercise of the option rights granted after expiry of the waiting period, on the other hand, requires the achievement of a capital market-dependent performance target. It requires that the price of The Grounds share in Xetra trading or a comparable successor system has risen by at least 20% compared to the exercise price since the issue date. The assessment of whether the exercise hurdle has been met is based on the average price of a The Grounds share determined 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 expiry of the waiting period.

Due to the departure of a member of the Management Board within the vesting period stipulated in the option conditions, a total of 700,000 options lapsed in 2023.

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

Number of options	Outstanding as at 1 January	Expired/issued	Outstanding as at 31 December	Remaining term until vesting (months)
2020 tranche	700,000	0	700,000	0
2021 tranche	200,000	0	200,000	0
Total	**900,000**	**0**	**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 related to this share-based remuneration for the reporting period, please refer to section 8.28 Staff costs. For detailed information on the remuneration report, please refer to the Group management report (section 6).

10.3 Related party transactions

Related parties include all subsidiaries listed in section 4.4.1 as well as the associated companies of The Grounds. Related parties are the members of the Management Board and Supervisory Board who are considered key management personnel and their close relatives. Related parties also include companies over which members of the Management Board or Supervisory Board or their close relatives can exert significant influence or in which they hold a significant share of the voting rights.

In addition to the service relationships mentioned in section 10.1 relating to activities as a member of a governing body, the following transactions were conducted with related parties:

	Value of the transactions		Outstanding balances as at 31 December	
	2024	2023	2024	2023
	TEUR	TEUR	TEUR	TEUR
Receivables from services and other services exchanged				
Other related parties	1,633	0	1,645	12
Liabilities from services and other services exchanged				
Other related parties	0	18	6	8
Liabilities from financing arrange-ments				
Key management personnel	3	6	0	56
Other related parties	3,050	119	27,162	7,134
From associates	0	84	0	2,529
Receivables from financing arrange-ments				
Other related parties	0	5	510	10
From associates	40	20	657	603

There were no transactions with related parties at non-standard market conditions in the reporting period.

10.4 Average number of employees

During the reporting period, the companies included in the consolidated financial statements employed an average of 13 people (previous year: 14).

10.5 Group auditor's fees

The total fee charged by the Group auditor (excluding VAT) for services provided to The Grounds and the companies included in the consolidated financial statements for the reporting period was EUR 126 thousand and relates exclusively to audit services.

Berlin, 28 April 2025

Management Board of The Grounds Real Estate Development AG

Jacopo Mingazzini Andrew Wallis

INDEPENDENT AUDITOR’S REPORT

To The Grounds Real Estate Development AG, Berlin

Audit opinions

We have 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 2024, the consolidated income statement, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from 1 January to 31 December 2024 as well as the notes to the consolidated financial statements, including significant information on accounting policies. We have also audited the Group management report of The Grounds Real Estate Development AG, Berlin, for the financial year from 1 January to 31 December 2024.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with the IFRS Accounting Standards published by the International Accounting Standards Board or IASB (hereinafter: ‘IFRS Accounting Standards’), 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 compliance with these regulations, give a true and fair view of the asset, financial and earnings position of the Group as at 31 December 2024 and its financial performance for the financial year from 1 January to 31 December 2024; and
- as a whole, the attached Group management report provides an accurate view of the Group’s position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to section 322 (3) sentence 1 HGB, we state that our audit has not led to any reservations with regard to the propriety 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 in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those regulations and standards are further described 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 Group companies in accordance with German commercial and professional regulations and have fulfilled our other professional duties in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the Group management report.

Other matters – financial statements of the previous year

The consolidated financial statements and Group management report of The Grounds Real Estate Development AG, Berlin, for the previous financial year ending 31 December 2023 were audited by another auditor, who expressed an unmodified audit opinion on these consolidated financial statements and Group management report on 26 April 2024.

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 that comply in all material respects with the IFRS Accounting Standards as adopted by the EU and the additional requirements of German law pursuant to section 315e (1) HGB, and for ensuring that the consolidated financial statements give a true and fair view of the Group's asset, financial and earnings position in compliance with these regulations. They are also responsible for such internal controls, as they determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (including manipulation of accounting records and misappropriation of assets) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing, as applicable, matters related to the Group's ability to continue as a going concern. They are also responsible for accounting on the basis of the going concern principle, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative to doing so.

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, is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and appropriately presents the opportunities and risks of future development. The legal representatives are further responsible for the arrangements and measures (systems) they deem necessary to enable the preparation of a Group management report in compliance with applicable German regulations and to provide sufficient and appropriate evidence to support the statements in the Group management report.

The Supervisory Board is responsible for overseeing the financial reporting process of the Group 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 objectives are 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, is consistent in all material respects with the consolidated financial statements and with the findings of the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development and to issue an auditor's report that includes our audit opinions on the consolidated financial statements and the Group management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit conducted in accordance with section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the IDW will always detect a material misstatement. Misstatements may result from fraud or error and are considered material if it could reasonably be expected that they would, individually or collectively, influence the economic decisions made by users on the basis of these consolidated financial statements and the Group management report.

In conducting the audit, we exercise professional judgment and maintain professional scepticism. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements and the Group management report, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than that from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Obtain an understanding of the internal controls relevant to the audit of the consolidated financial statements and of the arrangements and measures relevant to the audit of the Group management report, to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls or these arrangements and measures.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the legal representatives.
- Draw conclusions on the appropriateness of the going concern assumption applied by the legal representatives and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to the related disclosures in the consolidated financial statements and Group management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events so that they give a true and fair view of the Group's asset, financial and earnings position in compliance with IFRS Accounting Standards as adopted by the EU and the additional requirements of German law pursuant to section 315e (1) HGB.
- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to provide a basis for our audit opinions on the consolidated financial statements and the Group management report. We are responsible for the direction, supervision and review of the audit activities carried out for the purposes of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.
- Evaluate the consistency of the Group management report with the consolidated financial statements, its legality and the picture it presents of the Group's position.
- Perform audit procedures on the forward-looking statements presented by the legal representatives in the Group management report. Based on sufficient appropriate audit evidence, we particularly verify the significant assumptions on which the forward-looking statements are based and evaluate the proper derivation of the forward-looking statements from these assumptions. We do not express a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a considerable unavoidable risk that future events may differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hamburg, 28 April 2025

RSM Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Florian Riedl	Dirk Heide
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR

2025

23 June	Annual General Meeting, Berlin
29 September	Publication of half-year report 2025

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

CREDITS

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Photos:
The Grounds Real Estate Development AG
p. 8: Jacopo Mingazzini ©Die Hoffotografen

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