2022

ANNUAL REPORT

GATEWAY
REAL ESTATE

AT A GLANCE

KEY FINANCIAL INDICATORS

in € thousand	2022	2021
Financial performance indicators		
Revenue	10,331	22,380
Gross profit	136,955	128,514
EBIT adjusted	18,380	105,279
EBT	–33,891	70,156
Consolidated profit/loss	–31,667	54,701
Earnings per share in €	–0.17	0.27
Financial position and liquidity ratios		
Total assets	1,431,550	1,349,613
Equity	379,049	410,785
Equity ratio	26.5%	30.4%
Cash and cash equivalents	8,951	16,457
Net financial debt	835,292	699,271
Portfolio indicators		
Average gross development volume (GDV) in € billion	6	6
Number of projects (as of end of December)	8	8

Gateway Real Estate AG
closes the fiscal year 2022
with a **consolidated loss** of

€–31.7 million

EBIT adjusted
amounts to

€18.4 million

in the fiscal year 2022

Loss per share
amount to

€–0.17

in the fiscal year 2022

2022

OVERVIEW OF THE FISCAL YEAR

Share price
at year-end 2022

€4.06

(XETRA closing price
as of December 30, 2022)

Gross development volume (GDV)
amounts to

€6 billion

in 2022

Forecast for 2023
EBIT adjusted of

€5–15 million

and EBT between

€–10 million and
€0 million

ABOUT US

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GATEWAY REAL ESTATE AG, TOGETHER WITH ITS SUBSIDIARIES, IS ONE OF THE LEADING LISTED DEVELOPERS OF RESIDENTIAL REAL ESTATE AND URBAN QUARTERS IN GERMANY, USING RESOURCE-SAVING WOOD CONSTRUCTION METHODS. THE FOCUS OF OUR REAL ESTATE DEVELOPMENT ACTIVITIES IS ON SUSTAINABILITY AND RESPONSIBLE USE OF RESOURCES. OUR AIM IS TO MINIMIZE DETRIMENTAL EFFECTS ON THE ENVIRONMENT BY FOLLOWING A GREEN BUILDING APPROACH. THUS, WE MAKE A SIGNIFICANT CONTRIBUTION TO REDUCING THE CARBON DIOXIDE CONCENTRATION IN THE EARTH'S ATMOSPHERE.

WE DEVELOP SUSTAINABLE AND MODERN LIVING QUARTERS USING WOOD CONSTRUCTION METHOD ACROSS GERMANY, PRIMARILY IN THE TOP 9 CITIES AND SELECTED HIGH-GROWTH REGIONS.

WE ARE COMMITTED TO THE HIGHEST LEVEL OF PROFESSIONALISM AND SUSTAINABILITY IN PROJECT DEVELOPMENT AND TO DELIVERING TAILOR-MADE RISK-OPTIMIZED SOLUTIONS, AND CAN RELY ON AN EXPERIENCED MANAGEMENT TEAM. A CHALLENGING AND SUSTAINABLE PROJECT DEVELOPMENT THAT IS IN LINE WITH MARKET NEEDS REQUIRES AN INTENSE COLLABORATION OF SPECIALISTS THAT COMPLEMENT AND INSPIRE EACH OTHER. IN TERMS OF DEVELOPMENT, WE COVER THE ENTIRE VALUE CHAIN FROM THE ACQUISITION OF LAND AND PROJECTS THROUGH DEVELOPMENT AND CONSTRUCTION TO THE SALE OF THE PROPERTIES.

CONTENT

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LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS, DEAR LADIES AND GENTLEMEN,

The forecast of the German Council of Economic Experts for 2022 was positive. Unfortunately, contrary to the forecast, the fiscal year 2022 as a whole turned out to be very challenging. The economy was primarily driven by the following three factors: the COVID-19 pandemic, which has been going on for almost three years but has been weakening recently, the war in Ukraine, as well as the sharp increase in inflation, which was reflected in particular in rising energy costs and significantly higher interest rate levels. Gateway also has been unable to escape the significant slowdown of the economy and a considerably lower sales velocity, in particular as a result of the changed interest rate environment.

In the past fiscal year, we have disposed of one existing building in Leipzig and received the purchase price payment in the third quarter of 2022. We did not acquire any new project developments; only possession, benefits and obligations were transferred for a partial plot of land as part of a project development acquired in previous years. Nevertheless, we were making good progress with existing project developments in an effort to obtain building rights or even building permits. As of December 31, 2022, gross development volume (GDV) amounts to more than €6 billion.

In all of our project developments, we place special emphasis on the issue of sustainability. We remain convinced that developing our projects based on a hybrid wood construction technology is the right way into the future. Resource-saving and energy-efficient construction methods are essential to our understanding of project development. This issue is also reflected in our annual rating issued by Sustainalytics, which currently is at 16.3, indicating "low risk".

As mentioned above, the Company was unable to escape the general market trend, which is reflected in the full-year figures for 2022. EBIT adjusted, which is a key financial indicator for us and represents operating profit plus the result from investments accounted for using the equity method, amounted to a total of €18.4 million in fiscal year 2022, while earnings before taxes (EBT) amounted to €–33.9 million as of the end of December 2022. Consolidated profit/loss (earnings after tax) amounted to €–31.7 million, corresponding to earnings per share of €–0.17.

Group equity amounts to €379.1 million as of fiscal year-end 2022, corresponding to an equity ratio of 26.5%

On April 22, 2022, Norbert Ketterer submitted to Gateway Real Estate AG the formal request pursuant to Section 327a (1) sentence 1 of the German Stock Corporation Act (AktG) that the Annual General Meeting of Gateway Real Estate AG shall resolve to transfer the shares of the remaining shareholders (minority shareholders) to Norbert Ketterer against payment of an appropriate cash settlement (so-called squeeze-out under stock corporation law). There has been no letter specifying more details so far.

Tobias Meibom

Stefan Witjes

Dear shareholders, the Annual General Meeting of Gateway Real Estate AG was held on August 30, 2022. The Annual General Meeting was held as a virtual meeting for the third time as the pandemic-related requirements remain challenging. We regret that direct exchange through personal dialog unfortunately was not possible once again. That said, we are all the more pleased that all the resolution proposals made by the Management Board and the Supervisory Board were adopted by a large majority of the Annual General Meeting.

At the beginning of 2023, we continue to be faced with further challenges. In particular, we intend to address the significant restraint in the transaction business with our resource-saving real estate. Against this background, we have a somewhat more positive outlook for the next few months, but are well aware of the fact that we will have to exhibit a strong willingness to perform.

As a result of the challenging market conditions and a significantly reduced transaction speed, primarily due to the changed interest rate environment, the Management Board expects adjusted EBIT to be in the range of €5–15 million and consolidated earnings before taxes (EBT) to range from €-10 million to €0 million for the fiscal year 2023.

We are grateful for your trust and look forward to a sustainable and successful cooperation with you.

Frankfurt am Main, April 27, 2023

Tobias Meibom

Stefan Witjes

COMPANY PROFILE

THE BUSINESS MODEL

Gateway Real Estate AG (in the following also referred to as "GATEWAY", "Company" or "Group") is one of the leading listed developers of residential real estate and urban quarters in Germany, using resource-saving wood construction methods. The Company's focus is on developing sustainable, state-of-the-art real estate using wood construction methods in Germany's high-demand metropolitan regions. The core regions are Germany's Top 9 cities, i.e. the Top 7 cities plus Dresden and Leipzig, and further selected high-growth regions. GATEWAY follows a holistic business model covering the entire value chain.

The Company's strategy is to sell new building projects through forward sales to institutional investors and to construct, and subsequently lease, a portion of its residential real estate development projects for its own portfolio. The previous business of portfolio management in relation to commercial real estate is continued, which, in addition to sustainable cash flow generation through sales, generates stable cash flows from rental revenues. The Company also intends to sell standing asset properties.

GATEWAY follows a holistic approach for project development which covers the most important steps in the value creation chain of a development project. These steps include, among others, the acquisition of land and projects, planning and management of the development process, the sale of properties as well as offering asset and property management following the completion of a development project. The most significant steps in detail are as follows:

IDENTIFICATION, PROCUREMENT AND ACQUISITION

- Market research
- Business planning and due diligence
- Land acquisition

PLANNING AND MANAGEMENT

- Cost estimation and budget control
- Coordination of architects, engineers and interior designers
- Permits, licenses, authorizations and accounting

MARKETING AND SALES

- Letting
- Cash flow optimization and risk reduction through forward sales to institutional investors (B2B sales)
- Advertising and communication

CONSTRUCTION ACTIVITIES

- Close controlling of costs, budgets and deadlines by dedicated project managers
- Package and individual contracts

ASSET AND PROPERTY MANAGEMENT

- Value generation through active asset management
- Renegotiation and successful extension of contracts with main tenants
- New rentals and portfolio management of residential real estate build by the Company

THE GATEWAY PROJECT PORTFOLIO

AS OF YEAR-END 2022, GATEWAY HAS A REGIONALLY DIVERSIFIED, NATIONWIDE PROJECT DEVELOPMENT PORTFOLIO IN THE TOP 9 CITIES AS WELL AS IN SELECTED HIGH-GROWTH REGIONS.

THE MANAGEMENT TEAM

MANAGEMENT BOARD

The Management Board is responsible for the GATEWAY Group. Our Board members have many years of industry experience as regards project development, asset management, capital markets and finance. Our Executive Management has been responsible for the Group as a whole for many years and has been instrumental in expanding our project portfolio and advancing the Company's strategy.

As of December 31, 2022, the Management Board of Gateway Real Estate AG had two members.

Tobias Meibom
Chief Finance Officer (CFO)
Responsible for: Finance, Financing, Taxes, Investor Relations

Tobias Meibom has more than 20 years of experience in the real estate industry and in the areas of finance, due diligence and taxes. He holds a master's degree in Business Administration (Diplom-Kaufmann) and worked at business law firm Nörenberg Schröder as a tax consultant and auditor for various listed companies. Afterwards, he spent many years as Director Finance at the listed TAG Immobilien AG and subsequently in its operating subsidiaries as a member of the management boards (JUS Aktiengesellschaft für Grundbesitz, AGP AG). After a board membership in a company from the renewable energy sector, Tobias Meibom was appointed Chief Financial Officer of Gateway Real Estate AG for the first time in 2011.

Stefan Witjes
Chief Operating Officer (COO)

Stefan Witjes has more than 20 years of experience in the real estate industry, particularly in the fields of project development, asset and fund management. Following five years at the audit firm Deloitte & Touche, where he focused on the main construction industry, he has been responsible for the realization of a multitude of commercial and residential real estate developments across Germany since 1999.

SUPERVISORY BOARD

The Supervisory Board of Gateway Real Estate AG, which is the Company's controlling body, combines many years of business experience and a strong real estate expertise. In accordance with the Articles of Association, GATEWAY's Supervisory Board consists of five members.

As of December 31, 2022, GATEWAY's Supervisory Board consisted of the following experienced experts:

Norbert Ketterer
Chairman of the Supervisory Board

Thomas Kunze
Deputy Chairman of the Supervisory Board

Ferdinand von Rom
Member of the Supervisory Board

Jan Hendrik Hedding
Member of the Supervisory Board

Leonhard Fischer
Member of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

fiscal year 2022 as a whole turned out to be very challenging. Apart from the persisting war in Ukraine and the COVID-19 pandemic, which has been going on for almost three years but has been weakening recently, the economy was driven by the sharp increase in inflation, which was reflected in particular in rising energy costs and significantly higher interest rate levels. GATEWAY also has been unable to escape the significant slowdown of the economy and a considerably lower sales velocity of real estate, in particular as a result of the changed interest rate environment. Nevertheless, we see ourselves in a strong position thanks to our strategy to develop low-cost residential properties based on resource-saving wood construction methods.

TRUSTING COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In the fiscal year 2022, the Supervisory Board focused on fulfilling its duties imposed upon it by legal regulations, the German Corporate Governance Code and Gateway Real Estate AG's Articles of Association with utmost care. In particular, the Supervisory Board advised the Management Board in governing the Company on a regular basis and continuously monitored its activities. The cooperation between these two corporate bodies was always characterized by a trusting and constructive atmosphere.

The Management Board informed the Supervisory Board regularly and comprehensively both in writing and orally about the Company's business policy, strategy, business development and position of the Company and the resulting risks and rewards as well as about corporate planning and risk management. In this context, above all, deviations between actual and planned development were timely explained and significant business transactions were coordinated with the Supervisory Board. In addition, the members of the Supervisory Board, in particular its Chairman, maintained regular contact with the Management Board even outside of Supervisory Board meetings in order to share information about topics of significance for the Company, in particular about its strategy and business development.

SUPERVISORY BOARD MEETING

In fiscal year 2022, the Supervisory Board held a total of six meetings in the form of video or conference calls. The subject matter of the meetings referred to current business development as well as various significant individual matters and transactions subject to approval.

In its meeting on **January 5, 2022**, the Supervisory Board approved the declaration of compliance with the German Corporate Governance Code. The Supervisory Board meeting on January 5, 2022 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

In its meeting on **March 21, 2022**, the Supervisory Board discussed the planning for fiscal year 2022 and approved the respective forecast. The Supervisory Board meeting on March 21, 2022 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

The Supervisory Board meeting for the approval of the financial statements was held on **March 29, 2022**. As part of this meeting, the Supervisory Board, in consultation with the auditor, the Audit Committee and the Management Board, approved the annual and consolidated financial statements as of December 31, 2021, including the related management reports, the dependent company report, the remuneration report as well as the corresponding reports of the auditor. In addition, the Supervisory Board discussed and resolved upon the appropriation of net retained profit and approved the report of the Supervisory Board to the Annual General Meeting. The Supervisory Board meeting on March 29, 2022 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

On **April 13, 2022**, the Supervisory Board issued its approval with respect to a sale of a standing asset in Leipzig.

In its meeting on **July 13, 2022**, the Supervisory Board discussed and resolved upon convening the Annual General Meeting 2022. The Supervisory Board meeting on July 13, 2022 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

On **November 2, 2022**, the Supervisory Board met at the request of the Management Board to discuss the continuation of a previously purchased real estate project in Eastern Germany. The Supervisory Board meeting on November 2, 2022 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board currently has an Audit Committee, consisting of Jan Hendrik Hedding (Chairman), Ferdinand von Rom and Thomas Kunze, as well as a Real Estate Committee, consisting of Norbert Ketterer and Thomas Kunze.

CORPORATE GOVERNANCE

The Supervisory Board continuously monitored and discussed the development of corporate governance within the GATEWAY Group. Comprehensive information is included in the corporate governance statement for the fiscal year 2022 which can be accessed on the Company's website.

Information about the structure and the amount of the remuneration for members of the Management Board and the Supervisory Board can also be found in a separate remuneration report for the fiscal year 2022, which also has been published on the Company's website.

Management Board and Supervisory Board have adopted the joint declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz; AktG), after detailed discussions in relation to the requirements of the German Corporate Governance Code. This is an integral part of the corporate governance statement which also has been made accessible separately on the Company's website.

AUDIT OF ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The auditor appointed by the Annual General Meeting on August 30, 2022 – Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg – has audited the annual financial statements of Gateway Real Estate AG as well as the consolidated financial statements as of December 31, 2022, as prepared by the Management Board, including the respective management reports, and issued an unqualified audit opinion.

Any of these filings, including the Management Board's proposal on the appropriation of the net retained profit and the report on relationships with affiliated companies for the fiscal year 2022 pursuant to Section 312 AktG ("dependent company report"), were made available to the Supervisory Board and the Audit Committee in due time and were the subject of the meeting of the Audit Committee and the Supervisory Board on April 27, 2023; representatives of the auditor also participated in these meetings. The auditors presented the key audit matters and the material findings of their audit and discussed in more detail the key audit matters and the audit procedures employed. The auditors were available to the members of the Audit Committee and the Supervisory Board for detailed discussions. No circumstances were identified that would indicate any partiality of the auditor.

The Audit Committee presented to the Supervisory Board the material contents and findings of its preliminary audit and provided recommendations regarding the proposals to be passed by the Supervisory Board. The Supervisory Board reviewed the annual and consolidated financial statements for the fiscal year 2022, the respective management reports of the Management Board, and concurred with the findings of the audit conducted by the auditor. Based on its own review, the Supervisory Board determined that no objections have to be raised against the annual and consolidated financial statements and the respective management reports. According to the recommendation of the Audit Committee, the Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board. The annual financial statements of Gateway Real Estate AG were thus adopted.

PROPOSAL ON THE APPROPRIATION OF NET RETAINED PROFIT

In connection with the Management Board's proposal on the appropriation of net retained profit, the Audit Committee and the Supervisory Board have also discussed in detail the accounting policy and the financial planning. Based on its own review, the Supervisory Board followed the proposal of the Management Board to propose to the Annual General Meeting to carry forward the net retained profit to new account.

REVIEW OF THE DEPENDENT COMPANY REPORT

In the fiscal year 2022, Gateway Real Estate AG was a dependent company within the meaning of Section 312 AktG. Therefore, the Management Board of Gateway Real Estate AG has prepared a dependent company report for fiscal year 2022 which includes the following closing statement:

We herewith declare in accordance with Section 312 (3) AktG that our Company has received an appropriate compensation as regards the legal transactions set out in the abovementioned report about relationships with affiliated companies, based on the circumstances of which we were aware at the point in time at which such legal transactions were entered into. There were no measures taken or refrained from upon the initiation or in the interest of Norbert Ketterer and enterprises affiliated with him."

The auditor issued the following unqualified audit opinion for the dependent company report:

"On the basis of our audit and assessment performed in accordance with professional standards, we confirm that
1. the factual statements made in the report are correct,
2. the Company's compensation with respect to the transactions listed in the report was not inappropriately high."

Based on its own review, the Supervisory Board followed the opinion of the auditor. The review did not give rise to any objections. Moreover, the Supervisory Board did not raise any reservations against the Management Board's closing statement in the dependent company report for the fiscal year 2022.

DISCLOSURE OF CONFLICTS OF INTEREST

In compliance with the German Corporate Governance Code, each member of the Management Board and the Supervisory Board shall disclose any conflicts of interest that may arise. No conflicts of interest arose during the fiscal year 2022.

Berlin, April 2023
For the Supervisory Board

Norbert Ketterer
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT AND CORPORATE GOVERNANCE STATEMENT OF GATEWAY REAL ESTATE AG

Gateway Real Estate AG attaches great importance to good corporate governance. The following is a report on the Company's corporate governance prepared jointly by the Management Board and the Supervisory Board. The corporate governance statement for the Company and the Group is part of the Group management report.

In the fiscal year 2022, the Management Board and the Supervisory Board have continued to elaborate on principles of good corporate governance. In November 2021, the Company expanded its compliance framework on a large scale and introduced some amendments. This compliance framework includes strict and rigorous standards for entrepreneurial action which are binding for all employees of GATEWAY.

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 AKTG

The Management Board and Supervisory Board of Gateway Real Estate AG hereby declare that the Company was in compliance with the recommendations of the Government Commission of the German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex), as amended on December 16, 2019 and published by the German Federal Ministry of Justice in the official section of the German Federal Gazette on March 20, 2020 ("**GCGC 2019**"), from the issue of the declaration of compliance dated January 2022 until the announcement on June 27, 2022 of the German Corporate Governance Code as amended on April 28, 2022, save for the following exceptions:

1. **Recommendation A.2:** Pursuant to the recommendation of the Code, employees and third parties shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the company ("whistleblowing"). The Management Board believes that the Company has an effective compliance management system even without establishing such a whistleblowing system since the Management Board and the Group Legal Department are closely integrated in the operating and legal units of Gateway Real Estate AG. Against this backdrop, the Management Board currently does not believe that establishing a formal whistleblowing system is necessary. The effort associated with introducing such a system is not reasonable in view of the potential benefits for the Company and stakeholders, particularly with respect to the Company's size, structure and business activities.

2. **Recommendation B.5:** The Company considers the specification of an age limit for Management Board members, as recommended by the Code, as unnecessary since reaching a certain age limit is no indication for the qualification of a member of the Management Board. Therefore, no age limit has been specified.

3. **Recommendations C.1 and C.2:** The Supervisory Board shall determine concrete objectives regarding its composition and shall prepare a profile of skills and expertise for the entire Board and shall aim at fulfilling the overall profile when making proposals to the Annual General Meeting concerning new appointments. Apart from determining a target for the share of women, the Supervisory Board of Gateway Real Estate AG has not yet determined concrete objectives for its composition and has not prepared a profile of skills and ex-

pertise for the entire Board. In its election proposals for the Supervisory Board, the Supervisory Board has based its decisions primarily on the individual professional and personal suitability of candidates. This is a tried-and-tested procedure in the view of the Supervisory Board.

4. **Recommendation C.10:** The Chairman of the Supervisory Board and the Chairman of the Audit Committee shall be independent from the Company and the Management Board. The Chairman of the Audit Committee shall also be independent from the controlling shareholder. The Company deviates from this recommendation. Both the Chairman of the Supervisory Board and the Chairman of the Audit Committee are neither independent from the Company nor independent from the controlling shareholder, as defined in Recommendation C.7. However, the Management Board and the Supervisory Board believe that this neither represents a material and permanent conflict of interest nor does it impede the performance of the related duties.

5. **Recommendation D.1:** Against the backdrop of the young and expanding business activities of the Company and the number of its members, the Supervisory Board does not currently believe that it is necessary to adopt rules of procedure. Hence, the Supervisory Board does not comply with Recommendation D.1. As the Company and/or the Supervisory Board increase in size, the Supervisory Board will consider the preparation of rules of procedure.

6. **Recommendation D.5:** In derogation from Recommendation D.5, the Supervisory Board has not established a Nomination Committee. The Supervisory Board is of the opinion that the Supervisory Board as a whole shall early deal with decisions such as the appointment or nomination of Management Board and/or Supervisory Board members.

7. In accordance with **Recommendation F.2,** the consolidated financial statements and the Group management report shall be made publicly accessible within 90 days from the end of the fiscal year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period. In contrast, the legal provisions require that the consolidated financial statements, including the Group management report, have to be published within four months from the end of the fiscal year, and that half-yearly financial reports have to be published within three months after the end of the reporting period. Pursuant to the Stock Exchange Regulations of the Frankfurt Stock Exchange for the Prime Standard, quarterly statements shall be transmitted to the Management Board of the Frankfurt Stock Exchange within two months from the end of the reporting period. The Company has been in compliance with the legal terms and the terms defined by the Stock Exchange Regulations since the Management Board deems these terms as appropriate. The Company may publish reports earlier if the internal procedures allow such earlier publication.

8. **Recommendations G.1, G.6–G.10 and G.12** set out requirements as regards the remuneration system and the determination of the remuneration. The Company deviates from this recommendation as far as variable remuneration components are used. The remuneration system, as resolved upon by the Supervisory Board and approved by the Annual General Meeting, currently does not provide for variable remuneration components for the Management Board. The Supervisory Board believes that the system adopted for the remuneration of the Management Board is appropriate also in this regard and is aimed at promoting a sustainable company development, especially since the members of the Management Board hold shares in Gateway Real Estate AG (cf. https://www.gateway-re.de/en/investor-relations/corporate-governance/managers-transactions/) to a sometimes not insignificant extent.

9. In accordance with **Recommendation G.4** to ascertain whether remuneration is in line with usual levels within the Company itself, the Supervisory Board shall take into account the relationship between Management Board remuneration and the remuneration of senior managers and the workforce as a whole, and how remuneration has developed over time. The remuneration system does not currently provide for such a "vertical" comparison of remuneration since the Supervisory Board believes that this would not result in any useful parameters for evaluation. The remuneration system only provides for a comparison with other companies to ascertain whether total remuneration for the Management Board is in line with usual levels. The suitable comparator group includes companies that are listed in the same stock exchange segment (Prime Standard) as the Company and have a comparable EBT.

The Management Board and the Supervisory Board of Gateway Real Estate AG additionally declare that the Company has been in compliance with the recommendations of the Government Commission of the German Corporate Governance Code, as amended on April 28, 2022 ("**GCGC 2022**") since their announcement on June 27, 2022, save for the following exceptions:

1. **Recommendation A.4:** The statements above in relation to Recommendation A.2 of the GCGC 2019 apply.

2. **Recommendation A.5:** In accordance with this newly introduced recommendation, the main characteristics of the entire internal control system and risk management system should be described in the management report, including comments on the appropriateness and effectiveness of these systems. The recommendation thus extends well beyond the legal requirements of Sections 289 (4) and 315 (4) HGB, according to which the main characteristics of the internal control and risk management system only have to be described with regard to the accounting process. As required by law, the presentation in the Company's management report is currently still limited to a description of the main characteristics of the internal control and risk management system with regard to the accounting process. As the new recommendation was introduced only recently, the Company intends to implement the recommendation in the management report for the fiscal year 2023.

3. **Recommendation B.5:** The statements above in relation to Recommendation B.5 of the GCGC 2019 apply.

4. **Recommendations C.1 and C.2:** The statements above in relation to Recommendations C.1 and C.2 of the GCGC 2019 apply.

5. **Recommendation C.10:** The statements above in relation to Recommendation C.10 of the GCGC 2019 apply.

6. **Recommendation D.4:** The statements above in relation to Recommendation D.5 of the GCGC 2019 apply.

7. **Recommendation F.2:** The statements above in relation to Recommendation F.2 of the GCGC 2019 apply.

8. **Recommendations G.1, G.4, G.6–G.10 and G.12:** The statements above in relation to Recommendations G.1, G.4, G.6-G.10 and G.12 of the GCGC 2019 apply.

Berlin, April 2023
Gateway Real Estate AG

Management Board and Supervisory Board

DISCLOSURES REGARDING CORPORATE GOVERNANCE PRACTICES

WORKFLOWS AND COMPOSITION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

Dual management structure

A dual board management system is required by law for German stock corporations. Gateway Real Estate AG has a dual management structure consisting of the governing bodies Management Board and Supervisory Board. Management and monitoring structures are therefore clearly separated. Apart from the legal requirements and the recommendations of the German Corporate Governance Code, authorities, rights and obligations of Gateway Real Estate AG's Management Board and Supervisory Board are set out in the Company's Articles of Association, which are accessible on the Company's website. Moreover, obligations, responsibilities and workflows of the Management Board as well as the collaboration with the Supervisory Board are prescribed in the Management Board's rules of procedure. The Supervisory Board currently does not have rules of procedure.

The Management Board manages the business operations of the Company on its own responsibility with the aim of a sustainable value creation and in the interest of the Company, i.e. taking into consideration the interests of shareholders, employees and other groups affiliated with the Company (stakeholders). The Management Board and the Supervisory Board cooperate based on a trusting relationship for the benefit of the Company. The Management Board determines the Company's business policy and develops the strategic orientation of the Company, coordinates it with the Supervisory Board, and ensures its implementation. The management is divided into business units based on a defined schedule of responsibilities, which in turn are allocated to the members of the Management Board. Adoption, amendment and revocation of the schedule of responsibilities require a resolution to be made by the Supervisory Board. Each Management Board member reports to the Management Board about measures, transactions and developments in his respective business areas that are material for the Company. In addition, the Management Board informs the Supervisory Board on a regular basis in a timely and comprehensive manner about the planning of business development, the risk situation, risk management and compliance. Reporting shall be made as early as possible.

In fiscal year 2022, the Management Board consisted of two members.

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SCHEDULE OF RESPONSIBILITIES PURSUANT TO SECTION 2 PARA. 1 OF THE RULES OF PROCEDURE

Name and function	Date of appointment	End of term of office	Responsibilities
Tobias Meibom, CFO	11/05/2018	12/31/2023	Finance, Legal, Investor Relations, IT
Stefan Witjes, COO	01/21/2021	12/31/2023	Property Project Development, Asset and Property Management, Central Purchasing, Service Companies

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in key decisions affecting the Company. In accordance with the German Corporate Governance Code, the Supervisory Board shall include what it considers to be an appropriate number of independent members, thereby taking into account the shareholder structure. In accordance with the Articles of Association, the Supervisory Board consists of five members. The members of the Supervisory Board in the year under review were as follows:

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Name	Function	Date of appointment	End of term of office
Norbert Ketterer	Chairman of the Supervisory Board	08/24/2016	Annual General Meeting 2026
Thomas Kunze	Deputy Chairman of the Supervisory Board	08/24/2016	Annual General Meeting 2026
Ferdinand von Rom	Member of the Supervisory Board	08/22/2018	Annual General Meeting 2026
Jan Hendrik Hedding	Member of the Supervisory Board	08/21/2019	Annual General Meeting 2026
Leonhard Fischer	Member of the Supervisory Board	12/21/2020	Annual General Meeting 2026

COMMITTEES

Der The Supervisory Board of Gateway Real Estate AG has an **Audit Committee** that addresses in particular the monitoring of the accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit and compliance. The Audit Committee submits to the Supervisory Board a reasoned recommendation for the appointment of the auditor, which comprises at least two candidates if the audit engagement is put out to tender. The Audit Committee monitors the auditor's independence and concerns itself with the additional services rendered by the auditor, the issuance of the audit engagement, the determination of key audit areas and the fee agreement.

The Audit Committee is chaired by Jan Hendrik Hedding. The other members of the Audit Committee are Ferdinand von Rom and Thomas Kunze.

Moreover, the Supervisory Board has a **Real Estate Committee** currently consisting of Thomas Kunze and Norbert Ketterer. The Real Estate Committee discusses and makes a decision about sales of real estate proposed by the Management Board when such sales do not require the consent of the Supervisory Board as whole in accordance with the Management Board's rules of procedure. The resolutions of the Real Estate Committee are adopted by simple majority.

SUCCESSION PLANNING

Long-term succession planning within the meaning of the German Corporate Governance Code is based on regular discussions between the chairmen of Management Board and Supervisory Board as well as on regular deliberations as regards this topic in the Steering Committee of the Supervisory Board. Deliberations include the contract terms and extension options for current Management Board members as well as potential successors.

AGE LIMIT

The Company has not specified general age limits for the members of its Management Board and Supervisory Board. Please refer to Section 2 of the declaration of compliance in accordance with Section 161 AktG.

SELF-ASSESSMENT

According to the recommendation set out in the German Corporate Governance Code, the Supervisory Board shall assess, at regular intervals, how effective the Supervisory Board as a whole and its committees fulfill their tasks. Since the date of the most recent formal self-assessment on August 14, 2021, the composition of the Supervisory Board has not changed, and there were no incidents that might give rise to doubts as to the performance of the Supervisory Board. In the year under review, the Supervisory Board therefore did not conduct another formal self-assessment.

DIVERSITY CONCEPT

In accordance with Section 76 (4) AktG and Section 111 (5) AktG, the Company is obliged to determine target figures for the share of women and terms for achieving such target figures.

— The target figure for the share of women in the Supervisory Board until December 31, 2024 was set at 20 percent.

— The target figure for the share of women in the Management Board until December 31, 2024 was set at 25 percent.

— The share of women in the first management level below the Management Board until December 31, 2024 was set at 20 percent.

The targets were not achieved in the year under review. As before, there are no women in the Management Board and the Supervisory Board as well as in the first management level below the Management Board. In connection with proposals to the Annual General Meeting as regards the election of Supervisory Board members, the Supervisory Board takes into account the targets set in relation to its composition, however, the Board focuses on the technical, professional and personal qualifications of the candidates.

There is only one further management level at Gateway Real Estate AG below the Management Board; therefore, no target has been specified as regards the second management level below the Management Board.

DISCLOSURE OF CONFLICTS OF INTEREST

In compliance with the German Corporate Governance Code, each member of the Management Board and the Supervisory Board shall disclose any conflicts of interest that may arise. There were no conflicts of interest as regards the Management Board or the Supervisory Board in fiscal year 2022.

D&O INSURANCE

D&O insurance policies exist for the members of the Management Board and the Supervisory Board; they provide insurance cover for damages claimed by the Company, shareholders and third parties as a result of violations of the boards' duty of care. The costs for the insurance are borne by Gateway Real Estate AG. A deductible applies to members of the Management Board in an insured loss event.

DIRECTORS' DEALINGS

Pursuant to Art. 19 of the Market Abuse Regulation, executives and persons closely associated with them shall notify managers' transactions in shares or debt securities within three business days after the conclusion of the transaction if a total volume of €20,000 is reached in the calendar year. These notifications may be accessed on the Company's website under: https://www.gateway-re.de/en/investor-relations/corporate-governance/managers-transactions/

DISCLOSURE OF MATERIAL TRANSACTIONS WITH RELATED PARTIES IN ACCORDANCE WITH SECTION 111C AKTG

Since January 1, 2020, the effective date of Section 111c of the German Stock Corporation Act (Aktiengesetz; AktG), listed companies have to disclose any related party transaction if its economic value individually or together with the transactions conducted with the same party during the current fiscal year prior to the relevant transaction exceeds 1.5 percent of the sum total of the Company's non-current and current assets. Transactions that are carried out in the normal course of business and on an arm's length basis do not fall under the scope of this rule. These notifications may be accessed on the Company's website under: https://www.gateway-re.de/en/investor-relations/corporate-governance/related-party-transactions/dd-norbert-ketterer-12042019-gewaehrung-von-15087269-bezugsrechten-einer-bezugsrechtskapitaler/

COMPLIANCE

In November 2021, the Management Board of GATEWAY issued a new code of conduct which replaces the compliance policy dated November 2019. Moreover, the Management Board issued a non-discrimination policy and a diversity policy also in November 2021. These policies apply to all employees of the GATEWAY Group; adherence to these policies is mandatory. The code and the policies mentioned above include statements and requirements regarding conduct in accordance with legal provisions and set out the Company's values. The GATEWAY Group expects that all executives and employees are familiar with and adhere to all relevant legal requirements and the company-internal compliance policy. They receive regular training for this purpose. In addition, the GATEWAY Group has appointed a Data Protection Officer. The responsibility for monitoring compliance lies with the Management Board, which is supported in this context by the Group Legal Department.

REMUNERATION REPORT

In accordance with Section 162 AktG, the Management Board and the Supervisory Board of the listed company together prepare a clear and understandable report about the remuneration granted and owed to each current or former member of the Management Board and the Supervisory Board of the Company and of companies of the same group in the last fiscal year.

Pursuant to Section 87a AktG, the Supervisory Board of the listed company also adopts a clear and understandable system for the remuneration of the Management Board members. Based on the previous remuneration system for the members of the Management Board, the Supervisory Board resolved a remuneration system pursuant to Section 87a AktG on July 7, 2021, and submitted its proposal for approval by the Annual General Meeting on August 25, 2021. The Annual General Meeting approved the remuneration system for the members of the Management Board with an approval rate of 98.85 percent. The Annual General Meeting 2021 also confirmed the remuneration for the Supervisory Board members and the underlying remuneration system with an approval rate of 99.99 percent.

The current remuneration system for Management Board members applies to all service contracts with members of the Company's Management Board that are newly entered into, amended or renewed as from August 25, 2021. The currently applicable contracts for Management Board members therefore do not fall under the scope of the newly approved system, although being largely in line with it.

The criteria for the adequacy of Management Board remuneration comprise the responsibilities of the individual Management Board member, his or her individual performance, the Company's financial situation, success and future prospects, as well as the usual levels of remuneration taking into account its peer companies.

In terms of the suitable comparator group to assess the usual levels of the specific overall remuneration compared with other companies, the Supervisory Board relies on those companies that are listed in the same stock exchange segment (Prime Standard) as the Company and have a comparable EBT.

FIXED REMUNERATION

1. **Fixed annual remuneration**
   The fixed annual remuneration is a cash remuneration related to the fiscal year which is primarily based on the areas of responsibility of the respective Management Board member. The individually specified fixed remuneration is paid in twelve equal installments.
2. **Other remuneration**

a) Members of the Management Board receive a monthly allowance in the amount of half of the contributions paid to a reasonable health and nursing care insurance. The allowance is limited to half of the general contribution rate applicable for the statutory health and nursing care insurance.

b) Instead of benefits, the members of the Management Board receive monthly payments that are equal to the maximum amount due to be paid to the statutory pension insurance by an employer in line with the respective statutory income threshold for contribution assessment (employer's contribution).

c) Management Board members receive a monthly flat-rate allowance as compensation for business trips with their own car.

RECOGNITION AWARD

The Supervisory Board may, based on its due discretion, may resolve an additional voluntary bonus (recognition award) for special achievements of the Management Board for the benefit of the Company and subject to a corresponding special economic success of the Company. An enforceable legal right to such recognition award only arises if the Supervisory Board has made a corresponding resolution in substance and amount.

When determining the recognition award, the Supervisory Board takes into account the extraordinary performance of the individual Management Board member, especially with regard to the Company's long-term sustainable success, the interests of shareholders and employees alike, the environmental and social responsibility as well as the compliance culture of the Company.

The remuneration system does not provide for the possibility to reclaim any variable remuneration components.

DETERMINATION OF TARGET TOTAL REMUNERATION OF THE MANAGEMENT BOARD MEMBER

The annual target total remuneration for Management Board members solely consists of the respective fixed remuneration. The relative share of fixed remuneration in target total remuneration therefore is 100 percent.

A potential recognition award is not taken into account in the determination of the target total remuneration as the Management Board members are not entitled to the recognition award; it is only granted to honor extraordinary performance.

DETERMINATION OF MAXIMUM REMUNERATION

The maximum remuneration for the members of the Management Board is determined as follows:
Chairman of the Management Board:
€1,000,000.00 (in words: one million euro)

Other members of the Management Board:
€1,000,000.00 (in words: one million euro)

The maximum remuneration comprises any fixed remuneration components (including ancillary benefits) and any recognition award.

REDUCTION

A reduction of the Management Board's emoluments unilaterally by the Supervisory Board in accordance with the legal requirements set out in Section 87 (2) AktG in conjunction with Section 87 (1) AktG is permitted.

REMUNERATION-BASED LEGAL TRANSACTIONS

Terms and termination of service contracts

Each of the service contracts of the Management Board members are entered into for the term of the appointment. Taking into account the requirements under German stock corporation law as defined in Section 84 AktG, the term of the appointment and the contract term must not exceed five years. In accordance with the requirements under stock corporation law, the service contracts of the Management Board members do not provide for an option for ordinary termination; the mutual right to terminate the service contract without notice for good cause remains unaffected.

Benefits in case of an early termination of the service contract
In case of a termination of the service contract during the year, the fixed remuneration is generally granted only on a pro rata basis. A severance payment may be agreed in the service contracts in case the contract is terminated early due to the revocation of the appointment or by way of a termination agreement. However, the amount of such a severance payment is limited to twice the fixed annual remuneration, but not more than the remuneration that would have been payable for the remaining term of this contract (severance payment cap). Any severance payments are charged against any compensation payments (Karenzentschädigung) granted in connection with non-compete clauses.

Commitments for benefits paid for early termination of the service contract by the member of the Management Board following a change of control have not been agreed upon.

Post-contractual non-compete clause
The service contracts of the Management Board members may include post-contractual non-compete clauses to the extent permitted by law. For the period of a post-contractual non-compete clause, a compensation payment (Karenzentschädigung) may be granted in the amount of 50 percent per annum of the contractual benefits last received by the Management Board member. Payment shall be made in monthly installments. The details have to be set out in the service contracts of the Management Board members.

PRESENTATION OF THE PROCEDURE TO DETERMINE, IMPLEMENT AND REVIEW THE REMUNERATION SYSTEM

The remuneration system is determined by the Supervisory Board in accordance with Section 87a (1) AktG. For this purpose, the Supervisory Board jointly designs the structure of the remuneration system and discusses its individual aspects to ultimately pass a corresponding resolution. In this context, the Supervisory Board may rely on external remuneration experts, ensuring their independence. The Supervisory Board may also consult external legal advisers.

The General Meeting resolves upon the remuneration system whenever there is a significant change in the remuneration system, but at least every four years. If the General Meeting does not approve the remuneration system, a revised remuneration system shall be submitted for resolution not later than at the following Ordinary General Meeting.

The remuneration system, as resolved by the Supervisory Board, is implemented by the Supervisory Board as a whole when the individual service contracts for the Management Board members are concluded. In addition, the Supervisory Board reviews the remuneration system on an ongoing basis, taking into account the following criteria: the future business strategy, the economic situation, the success of the Company, as well as the responsibilities of the individual members of the Management Board and their personal performance in the past. The situation in the relevant industry is also taken into account. If any adjustments are deemed necessary, the Supervisory Board will resolve upon any changes to the remuneration system. In the event of changes, the Supervisory Board submits the amended remuneration system to the next Ordinary General Meeting for approval.

No conflicts of interest have yet occurred among the individual Supervisory Board members in the context of decisions on the remuneration system for the Management Board. Should such a conflict of interest arise during the determination, implementation and review of the remuneration system, the Supervisory Board will address such conflicts in the same way as other conflicts of interest in relation to a Supervisory Board member, so that the Supervisory Board member in question will not participate in passing the resolution or, in the case of a more serious conflict of interest, will not take part in the deliberations. If a permanent conflict of interest arises or cannot be solved, the Supervisory Board member concerned shall resign from office. In this context, early disclosure of conflicts of interest ensures that the decisions of the Supervisory Board are not influenced by inappropriate considerations.

TEMPORARY DEVIATIONS FROM THE REMUNERATION SYSTEM

Pursuant to Section 87a (2) sentence 2 AktG, the Supervisory Board may temporarily deviate from the remuneration system if this is necessary in the interest of the long-term well-being of the company. This includes, for example, the alignment of the remuneration system in the event of a significant change in corporate strategy in order to provide adequate incentives or in the event of broad-based changes in the economic situation (for example, due to pandemics or severe economic crises) that render the original performance criteria and/or key figures of the remuneration system obsolete, provided that the specific impact could have been foreseen. It is explicitly stated that generally unfavorable market developments do not constitute an exception that would allow for a deviation from the remuneration system to be implemented.

As far as the procedure is concerned, such a deviation requires an explicit resolution of the Supervisory Board in which the duration of the deviation as well as the deviation as such, as well as the reason for it (i.e. why the long-term well-being of the Company requires the deviation) are described in an appropriate form. The components of the remuneration system that may be subject to deviations in exceptional cases include the procedure, the regulations on the remuneration structure and amount as well as the individual remuneration components and in particular the performance criteria. As a matter of fact, the Supervisory Board may deviate both from the respective relative share of the individual remuneration components as well as their respective prerequisites, and it may also temporarily set the basic remuneration differently in individual cases if this is in the interest of the long-term well-being of the Company, provided, however, that the maximum remuneration set by the Annual General Meeting is not exceeded.

DISCLOSURE OF THE ACTUAL REMUNERATION GRANTED AND OWED TO THE MANAGEMENT BOARD

The following overview shows the remuneration granted to the current members of the Management Board in the year under review (2022). The overview comprises all amounts actually paid to the individual Management Board members in the reporting year (2022). The remuneration granted corresponds to the remuneration actually owed.

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Remuneration granted	Stefan Witjes, COO First appointment: 2021				Tobias Meibom, CFO First appointment: 2011			
in € thousand	2021	2022	2022 (min)	2022 (max)	2021	2022	2022 (min)	2022 (max)
Fixed remuneration	633	690	690	690	690	690	690	690
Fringe benefits	0	0	0	0	28	28	28	28
Total	633	690	690	690	718	718	718	718
Pension benefits	0	0	0	0	8	8	8	8
Total remuneration	633	690	690	690	726	726	726	726

SUPERVISORY BOARD REMUNERATION

The remuneration for the members of the Supervisory Board had already been resolved upon at the Company's Ordinary General Meeting on August 21, 2019, and was confirmed by the Annual General Meeting on August 25, 2021. Accordingly, each member of the Supervisory Board receives a fixed remuneration of €20,000.00 for each fiscal year. The Chairman of the Supervisory Board receives a fixed remuneration of €40,000.00 for each fiscal year and the Deputy Chairman receives a fixed remuneration of €30,000.00. This complies with the German Corporate Governance Code which recommends that the status as Chairman or Deputy Chairman of the Supervisory Board as well as Chair or memberships in the committees shall be taken into consideration in the determination of the remuneration for the Supervisory Board.

This is complemented by the reimbursement of expenses reasonably incurred in the exercise of their office, e.g. travel expenses actually incurred, as well as value added tax on the reimbursement of expenses. In addition, the members of the Supervisory Board shall be included in a D&O liability insurance policy at the Company's expense, to the extent that such an insurance policy exists.

Since the remuneration system does not include variable remuneration components, the disclosures pursuant to Section 87a (1) sentence 2 No. 4, 6, 7 AktG are not required. The remuneration of the Supervisory Board members is approved by the Annual General Meeting so that no contractual remuneration-based legal transactions within the meaning of Section 87a (1) sentence 2 No. 8 AktG are entered into.

The remuneration is payable on the day after the Annual General Meeting at which the members of the Supervisory Board are discharged. There are no other deferral periods for the payout of remuneration components.

The remuneration granted (i.e. owed) to the Supervisory Board members in 2022 can be broken down as follows:

Member of the Supervisory Board	Time period	Remuneration in 2022 in € thousand	Remuneration in 2021 in € thousand
Norbert Ketterer (Chairman of the Supervisory Board)	01/01/2022–12/31/2022	40	40
Thomas Kunze (Deputy Chairman of the Supervisory Board)	01/01/2022–12/31/2022	30	30
Ferdinand von Rom	01/01/2022–12/31/2022	20	20
Jan Hendrik Hedding	01/01/2022–12/31/2022	20	20
Leonhard Fischer	01/01/2022–12/31/2022	20	20

COMPARATIVE PRESENTATION OF CHANGES IN REMUNERATION AND FINANCIAL PERFORMANCE

The following comparative presentation shows the annual percentage change of remuneration granted and owed to members of the Management Board and the Supervisory Board, of the financial performance of Gateway Real Estate AG (earnings before tax, consolidated financial statements) and of the remuneration of the employees on the basis of full-time equivalents. The latter is based on average wages and salaries of the staff directly employed by Gateway Real Estate AG. The presentation shows the respective changes for the past five fiscal years over the respective previous fiscal year (except for the development of remuneration for employees which, in line with legal requirements (Section 26j (2) sentence 2 of the German Introductory Act for the Stock Corporation Act), is presented for the first time for fiscal year 2021 compared to 2020). As regards the remuneration granted and owed to board members, the terms set out in Section 162 para. 1 sentence 1 AktG apply so that the remuneration is taken into account that was received or became due in the relevant fiscal year.

	Change in 2022 compared to 2021 in %	Change in 2021 compared to 2020 in %	Change in 2020 compared to 2019 in %	Change in 2019 compared to 2018 in %	Change in 2018 compared to 2017 in %
Member of the Management Board					
Tobias Meibom	0	41	0	0	–24
Stefan Witjes[1]	9	100	–	–	–
Members of the Supervisory Board					
Norbert Ketterer	0	0	0	100	–
Thomas Kunze	0	0	0	100	–
Ferdinand von Rom	0	0	0	100	–
Jan Hedding[2]	0	0	300	100	–
Leonhard Fischer[3]	0	4,000	100	–	–
Financial performance					
EBT as reported in the consolidated financial statements	–148	–40	–11	216	68
Employees					
Average wage/salary	–41.51	69.51	–	–	–

[1] Appointed during the year 2021
[2] Appointed during the year 2019
[3] Appointed during the year 2020

THE GATEWAY SHARE

STOCK MARKETS

The year 2022 was primarily dominated by the war in Ukraine and the resulting repercussions. After the Russian attack on Ukraine on February 24, 2022, the United States and the European Union responded with tightening its sanctions on Russia. These sanctions were met with counter reactions such as Russia's halt of its gas supplies to the European Union. This resulted in rising energy prices which impacted virtually all costs of goods and services. The situation was aggravated by increasing labor costs following higher wage settlements against a challenging backdrop that was characterized by a lack of skilled professionals in almost every industry. All these factors led to an unprecedented rise in inflation in Europe. As early as January and February, the general price level had already increased by 5.6 percent and 6.2 percent and had thus exceeded the target corridor set by the European Central Bank (ECB) by a wide margin. The inflation rate continued to increase subsequently and reached its preliminary high (11.5 percent) in October 2022. Since then, the inflation rate has weakened slightly.

The strong price increase worldwide forced major central banks to make a turnaround in their monetary policies. After keeping interest rates unchanged for two years, the Federal Reserve Bank (Fed) executed a total of seven interest rate hikes in 2022 – most recently to 4.50 percent in December 2022. The ECB also ended its ultra-loose monetary policy in July 2022 and raised its key interest rate to 2.50 percent and the deposit facility rate to 2.00 percent on four occasions by the end of the year. The Bank of England (BoE) changed its key rate in nine steps to 3.50 percent.

This was not welcome news for the stock exchanges. The year 2022 will go down in history as one of the worst years for stock exchanges. For the year as a whole, stock markets worldwide suffered massive losses. The U.S. Dow Jones Industrial Average, which mainly consists of industrial companies, ended the year under review with a loss of 8.8 percent. The broader S&P 500 index dropped 19.4 percent. Even technology stocks were mostly on sale. The Nasdaq 100 lost 33.0 percent in 2022. German indices were likewise unable to avoid this trend. The German flagship index DAX closed the year 2022 with a loss of 12.4 percent, while price losses were substantially higher for the MDAX (–28.5 percent) and the SDAX (–27.4 percent). It was only during the height of the financial crisis in 2008 that stock market development was even worse.

As a result of the interest rate hikes by the central banks, bonds also suffered from price losses, similar to equities. Therefore, unlike during the previous crises in 2002 and 2008, investors were unable to revert back to government bonds as "risk-free investments." In 2022, almost all liquid asset classes were highly correlated, and even the real estate markets were no safe haven for investors. Value adjustments were profound in all markets. The FTSE EPRA NAREIT GLOBAL REITS Index closed the year 2022 with a decline of 26.6 percent. Listed real estate companies have come under pressure in financial terms due to the rapid rise in interest rate levels. Rising interest rates required current and future projects to be recalculated, but also challenge the funding structure of companies. Moreover, fears of a recession made the conclusion of lease contracts more difficult. This also hampered the realization of the expected sales proceeds. Accordingly, investors acted with a grain of caution throughout 2022. As a consequence, the FTSE EPRA/NAREIT GERMANY Index fell dramatically by 54.4 percent year on year.

PERFORMANCE OF THE GATEWAY SHARES

The shares of Gateway Real Estate AG started the year 2022 with an opening price of €3.88. During the first half of 2022, the performance of the Gateway share was characterized by high volatility and significant fluctuations in terms of trading volumes. After the share price had temporarily fallen to €3.12, it reached its peak for the year (€7.10) on April 22, 2022. Following the announcement of the squeeze-out request under stock corporation law, the share price returned to a significantly lower level, but stabilized in a range of between €4.02 and €5.40, also in view of significantly reduced trading volumes until the end of October 2022. At the beginning of November, the share price decreased significantly, reaching its low for the year (€2.82) on November 11. By year-end, the share price had recovered and reached €4.06 on the last trading day of the year (December 30, 2022). For 2022 as a whole, the GATEWAY share gained 6.8 percent, substantially outperforming other listed real estate companies.

At the beginning of 2022, GATEWAY's market capitalization amounted to approximately €710 million (based on the closing price on January 3, 2022) and reached around €758 million as of the end of the fiscal year 2022, based on an unchanged number of shares of 186,764,040.

ANNUAL GENERAL MEETING

The Annual General Meeting of Gateway Real Estate AG was held on August 30, 2022, once again as a virtual general meeting due to the coronavirus pandemic. The legal basis for this measure was established by the German legislator through the introduction of the Act on Corporate, Cooperative, Association, Foundation and Residential Property Law to Combat the Effects of the COVID-19 Pandemic. The Executive Board and Supervisory Board did not decide to postpone the Annual General Meeting, but instead resolved to make use of the option to hold a virtual Annual General Meeting.

All resolution proposals made by the Management Board and the Supervisory Board were approved by a large majority of the Annual General Meeting. Further information and details on the voting results of the Ordinary Annual General Meeting 2022 can be found on the Company's website under:

https://www.gateway-re.de/en/investor-relations/annual-general-meeting/annual-general-meeting-2022/

SHAREHOLDER STRUCTURE

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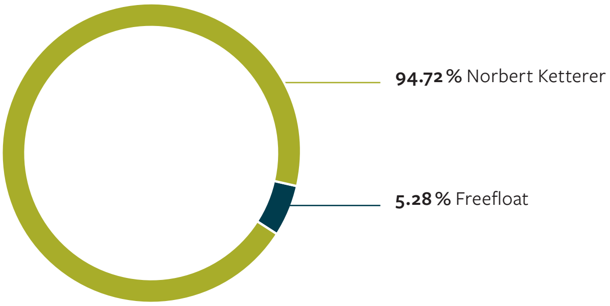
AS OF DECEMBER 31, 2022



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SHARE INFORMATION

ISIN/WKN	DE000A0JJTG7 / A0JJTG
Number of shares	186,764,040
Share capital	€186,764,040.00
Ticker symbol	GTY
Market segment	Regulated market (Prime Standard)
Subsector	Real estate
Trading venues	XETRA, Frankfurt am Main, Duesseldorf, Munich, Berlin, Hamburg, Stuttgart
Designated Sponsor	Credit Suisse
Opening price (January 3, 2022)	€3.88
Closing price (December 30, 2022)	€4.06
Highest price (April 22, 2022)	€7.10
Lowest price (November 11, 2022)	€2.82
Market capitalization (December 30, 2022)	€758.3 million

GROUP MANAGEMENT REPORT OF GATEWAY REAL ESTATE AG

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GROUP MANAGEMENT REPORT OF GATEWAY REAL ESTATE AG

1. FUNDAMENTAL INFORMATION ON THE GROUP

1.1 BUSINESS MODEL

Gateway Real Estate AG (in the following also referred to as "GATEWAY", "Company" or "Group", in each case referring to the GATEWAY Group as a whole) is a listed developer of residential real estate in Germany with a market capitalization of around €758 million (as of December 30, 2022). Established in 2006, GATEWAY and its subsidiaries can look back on extensive expertise in the German real estate market and are currently (as of December 31, 2022) developing real estate with a gross development volume (GDV) of more than €6 billion.

In this context, GATEWAY focuses on Germany's Top 9 cities – Berlin, Dresden, Duesseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich and Stuttgart – as well as on selected high-growth areas and covers all of the important steps in the value creation chain of a development project with its own in-house teams. In all of its project developments, GATEWAY pursues the strategy of generating attractive margins and, at the same time, minimizing the project development risk by means of a detailed process management. In fiscal year 2020, the Management Board and the Supervisory Board jointly decided to build residential real estate in future also for the Company's own portfolio (build-to-hold). Since then, in the context of this extended corporate strategy, GATEWAY has been increasingly seeking to develop residential real estate for long-term holding and administration to generate sustainable rental revenues. Accordingly, the Standing Assets and Residential Properties Development segments will be expanded further in the medium term. As set out in an ad hoc release dated February 3, 2021, GATEWAY sold all its shares in Development Partner AG and, except for three commercial properties development projects in Berlin, discontinued nearly all its activities in the Commercial Properties Development segment in order to focus its development activities increasingly on the Residential Properties Development segment and develop residential real estate and urban quarters. However, as the necessary shareholder approval could not be obtained, three development projects for commercial properties in Berlin have remained in GATEWAY's ownership and will be sold over time.

GATEWAY regularly carries out sensitivity analyses in connection with the calculation and supervision of projects, in which the effects of potential increases in construction costs are examined and suitable countermeasures taken to offset them are reviewed. Upon purchase, all our projects are generally evaluated and analyzed on an individual basis. In order to facilitate a close cost control and management, a regular internal meeting is held each month for each project, with the Management Board also being involved in each case. In connection with all sales of real estate and development projects, the Management Board, in turn, has to liaise with the Real Estate Committee, which consists of two members of the Supervisory Board and must grant its approval for the transaction.

When acquiring new plots of land, GATEWAY focuses on space where there are no finally approved zoning or land use plans. This enables GATEWAY to leverage potential value thanks to its long-standing expertise in the process of obtaining planning permissions and to actively determine the planning process for developments early on. GATEWAY's focus as regards land purchases is always on real estate development rather than the speculative resale of undeveloped sites. Accordingly, GATEWAY also lives up to its corporate social responsibility by newly constructing much needed residential space in Germany.

In connection with the sale of its development projects, GATEWAY exclusively addresses institutional investors, operates on the basis of lean and recurring sales structures and primarily follows a forward sales model pursuant to which properties are sold to investors once the building permit is obtained. GATEWAY then completes the projects, but generates revenue already upon the conclusion of a forward sales contract based on the progress of the construction activities. This strategy, together with contractually agreed payment schedules, enables GATEWAY to generate long-term and stable cash flows from its development projects.

GATEWAY continues the existing standing asset business of commercial real estate in order to diversify risks.

EMPLOYEES OF THE GATEWAY GROUP

As of December 31, 2022, the GATEWAY Group had 25 (previous year: 22) and 27.3 (previous year: 25.8) employees on average for the year, in addition to the Management Board. The change is attributable to the continuing buildup of the development organization at the new office in Berlin.

The commitment and the extensive technical and professional expertise of the employees and managers are major prerequisites for GATEWAY's success, which is why the Group has set itself the goal of retaining employees in the long term and creating an attractive working environment. In addition to competitive remuneration models in line with market conditions, these also include external and internal trainings and advanced training courses geared to the needs of the respective employees for individual support and development. By providing a modern, digital work infrastructure, GATEWAY wants to enable its employees to work from their home office (telecommuting) and thus also wants to promote a reasonable work-life balance. This also had the effect that GATEWAY could continue its business operations during the coronavirus pandemic without disruptions and was not subject to any downtime. At the same time, GATEWAY offers its employees at its modern premises in Berlin a wide range of measures to improve employee health and satisfaction as well as to create a sense of team spirit. These include daily fresh fruit, free drinks such as coffee or ergonomic office seating to prevent spinal diseases. GATEWAY is characterized by flat hierarchies and a flexible model of working hours and flexitime.

1.2 MANAGEMENT SYSTEM

As a young publicly traded company (IPO in 2019), GATEWAY is continuously developing its internal management system with the aim of supporting sustainable corporate growth through planning, reporting and controlling processes. In this respect, GATEWAY distinguishes three segments: Standing Assets, Commercial Properties Development and Residential Properties Development.

— **Standing Assets**: This segment covers a profitable and diverse portfolio of existing properties. The portfolio includes properties which in future are planned to be developed in part by the Company itself, as well as properties revitalized or constructed by the Company and further individual properties. This segment's revenues consist primarily of rental income from the investment properties.

— **Commercial Properties Development:** The development activities for commercial properties are combined in the Commercial Properties Development segment. The objective of this segment is to develop attractive and high-quality office buildings with modern architecture and flexible usage formats. In the past, these activities were concentrated on the Top 9 cities in Germany and on selected metropolitan areas such as Nuremberg. Upon the sale of Development Partner AG in February 2021, the Commercial Properties Development segment was discontinued and, as of December 2021, was reduced to three projects located in Berlin. Upon the planned sale of these properties classified as inventories, the corresponding activities in the Commercial Properties Development segment will be discontinued in line with the amended business strategy.

— **Residential Properties Development segment:** In the Residential Properties Development segment, the Group focuses on development activities in selected metropolitan regions in Germany, normally Germany's Top 9 cities as well as high-growth regions (cities with a population of at least 100,000 people such as Mannheim, Augsburg and Chemnitz). The focus here is on the new construction of medium-sized apartment buildings for sustainable modern affordable living and mixed-use properties and real estate. This segment also continues to include joint ventures with other project developers. In future, GATEWAY wants to develop the majority of its assets on its own, however, and also plans to transfer residential real estate developments into its own portfolio after completion.

The **internal management system** at GATEWAY essentially consists of the following components:
— Planning, process and risk management
— Project controlling including sensitivity analyses
— Structured management reporting
— Financial indicators and real estate industry control indicators

FINANCIAL PERFORMANCE INDICATORS

EBIT adjusted and consolidated profit before taxes (EBT) are the most important performance indicators at the level of the Group as a whole. GATEWAY evaluates and controls the Company's profitability on the basis of these indicators. EBIT adjusted is defined by the Group as the operating profit plus the result from investments accounted for using the equity method.

For GATEWAY, the real estate performance indicator GDV (Gross Development Volume) represents an important performance indicator for all development projects (residential and commercial properties as well as properties developed for the Company's own portfolio). The GDV is the gross development value, i.e. the expected value that a development property would achieve if sold or let normally on the open market to a willing buyer.

1.3 CORPORATE GOVERNANCE STATEMENT

The corporate governance statement in accordance with Section 289f HGB for the Company and the Group is part of the Group management report. In the corporate governance statement, the Supervisory Board and the Management Board also report about the Company's corporate governance in accordance with Principle 22 of the German Corporate Governance Code.

The corporate governance statement is also available on the Company's website in the Investor Relations section under the following link:
https://www.gateway-re.de/en/investor-relations/corporate-governance/declarations-of-compliance/corporate-governance-bericht/

2. REPORT ON ECONOMIC POSITION

2.1 GENERAL STATEMENT ON THE REPORT ON ECONOMIC POSITION

Contrary to the forecast of the German Council of Economic Experts, fiscal year 2022 as a whole turned out to be very challenging and was primarily driven by the following three factors: the COVID-19 pandemic, which has been going on for almost three years but has been weakening recently, the war in Ukraine, as well as the sharp increase in inflation, which was reflected in particular in rising energy costs and significantly higher interest rate levels. This resulted in a significant slowdown of the economy and a considerably lower sales velocity, and GATEWAY, like other companies, was unable to escape this trend.

GATEWAY holds an optimistic outlook regarding the impact the economic, sociodemographic and industry-specific development in 2023 in Germany, and especially in the cities in which GATEWAY operates, will have on the Group's future business activities. Although the weaker economy, rising inflation and the sharp rise in interest rates weighed considerably on investments in the German real estate markets in the past fiscal year, and activities will continue to be driven largely by interest rate levels in 2023, the pressure on demand for residential real estate will increase in the short and medium term as a result of the decline in new housing construction – mainly in the sector for single- and two-family homes – and increased migration.

Although the European Commission, in its Winter 2023 Interim Economic Forecast, expects the German and the EU economy to grow somewhat, it is currently hardly possible to make reasonable forecasts in the wake of the persisting uncertainties such as those described above.

2.2 ECONOMIC FRAMEWORK

2.2.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

The year 2022 was driven by inflation, the war in Ukraine, and the COVID-19 pandemic. While the COVID-19 pandemic weakened in most countries as the year progressed, it still resulted in some significant constraints for the global economy. After the pandemic eased, demand picked up again, albeit against the backdrop of tighter supply, especially with regard to energy sources and food. As a result, inflation in the eurozone, which had already been rising since mid-2021, continued to rise in 2022 and, according to the German Federal Statistical Office, reached its preliminary peak at 10.6% in October 2022. In order to mitigate the economic consequences of global adverse factors for private households and companies in Germany, the German Federal Council (Bundesrat) and the German Federal Parliament (Bundestag) passed several relief packages in the energy area through the introduction of an electricity price cap, an increase in child benefits and child benefit supplements, a one-off payment for students, a housing allowance increase, a one-off flat-rate energy allowance for pensioners, an extension of the special rules applicable to short-time working allowance, the introduction of an indexed citizen's basic income, a nationwide local transport ticket, and tax cuts for households and companies. Individual measures of the third relief package will not take effect until 2023. Together, the three relief packages have a total volume of €95 billion.

In view of the sharp rise in inflation, the leading central banks adjusted their monetary policies in the reporting year. Starting in March 2022, the United States Federal Reserve raised the key interest rate from 0.25% in seven steps to 4.5% by December 2022. The European Central Bank (ECB) raised the interest rate for its main refinancing operations, which had remained unchanged at 0.00% since March 16, 2016, to 2.5% in four steps between July 27, 2022 and December 21, 2022.

2.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

According to an initial estimate by the Federal Statistical Office, at least 84.3 million people lived in Germany at the end of 2022. This is the highest population figure ever for Germany at the end of a year and 1.1 million more people than at the end of 2021. This strong growth is due to high net immigration (positive balance of inward and outward migration). Between 1.42 million and 1.45 million more people are estimated to have immigrated to Germany in 2022 than have left the country. This is a fourfold increase compared with 2021 when net immigration was 329,163 people. Some of the immigrants were fleeing the war in Ukraine. Nevertheless, the immigration of people from other nations had also increased significantly in 2022.

Population growth in 2022 was subdued by the decline in the number of births accompanied by an increase in the number of deaths. Estimates say that Germany recorded between 735,000 and 745,000 births in 2022, around 7% less than in 2021 when the number of births was approximately 795,000. The number of deaths was around 1.06 million, up about 4% from 1.02 million in 2021.

The population trend in Germany varies from region to region. Overall, there is an east-west gap: While the population continued to increase in all of the states of former West Germany, the population declined in almost all of the new German states (excluding Berlin), according to figures published by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (Bundesinstitut für Bau-, Stadt- und Raumforschung; BBSR). However, this should be different in the future, especially for the city of Leipzig. Among all urban and rural districts in the new federal states, Leipzig will show a particularly strong increase in children and young people (+25%), according to BBSR, while Berlin, Potsdam, Dresden, Erfurt, Rostock, Jena and Chemnitz may also see growth of at least 5%.

The number of private households will rise from 41.4 million in 2020 to 42.6 million in 2040, according to calculations by the Federal Statistical Office. The reasons for this increase include the decline in marriages and births, increasing partnerships with separate dwellings, the continued aging of the population combined with improving physical conditions of older people who are able to live in their own household for a longer time, as well as increasing requirements with respect to occupational mobility, which is driving the trend of smaller households. According to the projections, single-person households will increase from 17.3 million to 19.3 million between 2020 and 2040, while two-person households will increase from 14.0 million to 14.1 million. Households with three or more persons will decline from 10.1 million to 9.2 million. During the year under review, the megatrend of "urbanization" slowed down. According to the Federal Statistical Office, around 77.5% of Germany's total population lived in cities, which is unchanged from the previous year.

2.2.3 ECONOMIC DEVELOPMENT IN GERMANY AND IN GATEWAY'S FOCUS CITIES

According to calculations by the Federal Statistical Office (Destatis), price-adjusted gross domestic product (GDP) increased by 1.8% year on year in 2022, while economic growth was 2.0% adjusted for calendar effects. The overall economic situation in Germany in 2022 was significantly impacted by the consequences of the war in Ukraine, with, above all, energy prices rising at an unexpectedly fast pace. Material and supply bottlenecks as well as the shortage of skilled workers came on top of that, with both trends already emerging in 2021. Inflation, which started to rise in the fourth quarter of 2021, continued to climb in 2022 and peaked in October. In addition to energy, food was particularly affected by the price increases. Although the coronavirus pandemic subsided over the course of the year, the associated restrictions still weighed on economic momentum.

According to the figures from the Federal Statistical Office, developments in the individual sectors of the economy varied greatly. In the construction sector, gross value added fell by 2.3% in 2022 due to a shortage of materials and skilled labor, high construction costs and more restrictive financing conditions. The manufacturing sector suffered above all from high energy prices. In addition, continuing disruptions to international supply chains resulted in limited availability of intermediate products. The other services sector, which includes the creative and entertainment sectors, as well as transport and hospitality benefited from catch-up effects following the elimination of almost all COVID-19 protection measures. The information and communications sector also continued to grow. While the retail sector had been still able to increase its gross value added in 2021, it declined in 2022.

According to the Federal Statistical Office, private consumption in particular supported growth in the German economy in 2022. Private household spending increased by 4.6% year on year in price-adjusted terms, almost reaching the pre-crisis level of 2019. This development was driven by catch-up effects in the wake of the lifting of almost all COVID-19 protection measures in spring 2022. Households again spent more money than in 2021, particularly on accommodation and restaurant services, leisure, entertainment and culture. As the COVID-19 pandemic had turned into an endemic occurrence in 2022, the public sector scaled back associated spending to combat the disease and its economic consequences. At the same time, the state spent more money to feed, and find accommodation for, the growing number of people fleeing from Ukraine and other countries.

Adjusted for prices, construction spending decreased by 1.6% in 2022, according to the Federal Statistical Office. The reasons included bottlenecks related to building materials and a lack of skilled workers, especially in building construction and residential buildings. This made it increasingly difficult for property owners to reliably calculate their construction projects. Moreover, construction interest rates rose significantly in the course of the year, making the situation even worse. As a result, an increasing number of commercial and private construction projects were canceled. By contrast, equipment investment increased by 2.5% in 2022 after adjustment for prices. While German exports of goods and services increased by 3.2% in 2022 in price-adjusted terms, imports grew at a much faster rate of 6.7%. As a result, the trade balance subdued GDP growth.

For December 2022, the Federal Statistical Office puts the number of people in employment in Germany at 45.7 million, an increase of around 435,000 or 1.0% over December 2021. The figures also include people employed under the short-time working regime. Overall, the upward trend on the German labor market is continuing, albeit at a slightly slower pace. In December 2022, 1.22 million people residing in Germany were unemployed. This figure was 95,000 or 7.2% below that recorded in December 2021. The unemployment rate decreased from 3.0% in December 2021 to 2.8% in December 2022.

In GATEWAY's focus cities (A cities plus Augsburg, Chemnitz, Dresden, Leipzig and Mannheim), unemployment rates according to the German Federal Employment Agency ranged from 2.5% in Munich to 8.6% in Berlin in December 2022. Cities in between these two extremes were Stuttgart (4.6%), Augsburg (5.0%), Dresden (5.6%), Frankfurt am Main (5.7%), Duesseldorf (6.5%), Leipzig (6.5%), Hamburg (6.9%), Mannheim (6.9%), Chemnitz (7.6%) and Cologne (8.4%).

2.2.4 DEVELOPMENT OF REAL ESTATE MARKETS

According to information from JLL, the German investment market achieved a total transaction volume of only €66 billion in 2022 (2021: €111.1 billion). This was around 41% less than in the 2021 record year and around 8% less than the average of the past ten years. While the strong performance of the previous year continued into the first half of 2022, the second half of the year was characterized by increasing investor restraint. A major reason for the sharp decline in investment activity was the strong rise in interest rates introduced to address high inflation in the eurozone.

This made traditional financial investments, such as government bonds, more attractive than real estate for institutional investors. According to JLL, the yields on ten-year government bonds and real estate accordingly converged to around 0.5 percentage points in the course of 2022. This was the lowest yield differential since the financial crisis in 2008. The gap widened to almost one percentage point by the end of 2022, mainly due to rising real estate yields.

Although the traditional year-end rally failed to materialize in the fourth quarter of 2022 and a transaction volume of only €13 billion was achieved, JLL considers the market to be still intact. In the weakest final quarter of the past ten years, 22 properties or portfolios with sales prices of more than €100 million each changed hands. In the mid-range segment between €50 million and €100 million, properties and portfolios for a total of just under €3 billion found new investors between October and December. For 2022 as a whole, transactions in this size category total around €14.2 billion, which is approximately €1.4 billion less than in 2021.

According to JLL, around €32 billion or 48% of the total transaction volume in 2022 was attributable to the seven most important real estate markets in Germany: Berlin, Duesseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart. The overall volume traded in these metropolitan areas fell by an above-average 55% compared with the previous year. The biggest loss was recorded in Cologne, where the transaction volume in 2022 was down 74% on the previous year at €1.2 billion (2021: €4.6 billion), followed by Berlin with a drop of 71%. However, it should be taken into account that the volume generated in Berlin for 2021 includes the takeover of Deutsche Wohnen by Vonovia. Nevertheless, Berlin was by far the largest transaction market in Germany in the reporting year, with almost €11 billion (2021: €37.5 billion). Only in Hamburg did the transaction volume increase slightly by 1% to €6.3 billion (2021: €6.3 billion). At €2.8 billion, the performance in Duesseldorf in 2022 was around 3% below that of the previous year (€2.9 billion). By contrast, the volume in Munich was €4.4 billion, 44% down on the previous year's level (€7.9 billion). In Frankfurt am Main, the volume traded in 2022 decreased by 48% to €5.1 billion (2021: €9.8 billion).

Office market

According to calculations by JLL, the office real estate market accounted for 33% or almost €22 billion of total transaction activity in 2022, making it the most important submarket. In 2021, office properties still had a share of almost 25% or €27.5 billion.

According to JLL, prime yields for office properties in Germany's seven largest cities had risen by an average of 67 basis points over the course of 2022 to an average of 3.31%. For properties of only average quality in prime locations, the average initial yield increased to 4.22%. For older office properties in B locations with short remaining lease terms, the yield on acquisition rose above 5% for the first time since 2018.

According to calculations of JLL, a total of 1,755,500 sqm (2021: 1,593,100 sqm) of new office space was completed in the seven largest office markets in Germany in the year under review (see the overview in the table below).

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COMPLETIONS IN A CITIES

in sqm	2022	2021	Change (%)
Berlin[1]	715,900	526,600	36
Duesseldorf[2]	103,700	120,000	–14
Frankfurt am Main[3]	130,500	191,800	–32
Hamburg[4]	231,400	99,200	133
Cologne[5]	93,500	65,100	44
Munich Region[6]	375,000	333,300	13
Stuttgart[7]	105,500	257,100	–59

[1] City area; [2] City area incl. Ratingen, Neuss, Erkrath and Hilden;
[3] City area incl. Eschborn and Kaiserlei; [4] City area; [5] City area;
[6] City area incl. surrounding municipalities; [7] City area incl. Leinfelden-Echterdingen
Data as of January 2023; Source: JLL

According to JLL, the largest office market in the fourth quarter of 2022 was Berlin with 21.8 million sqm, closely followed by Munich with 21.6 million sqm. Both cities recorded the largest growth rates (3.2% and 1.6%, respectively). This was followed by the Hamburg market where space increased by 1.5% to 15.4 million sqm. However, office space was also expanded in Frankfurt am Main (11.8 million sqm), Duesseldorf (9.3 million sqm), Stuttgart (9.2 million sqm) and Cologne (7.9 million sqm). According to the most recent figures available (as of September 2022), existing office space in Mannheim remained virtually flat in 2021 and 2020 (2.13 million sqm). No current market data was available for GATEWAY's other focus cities.

DEVELOPMENT OF EXISTING OFFICE SPACE IN THE A CITIES

In million sqm	Q4 2022	Q4 2021	Change (%)
Berlin[1]	21.80	21.12	3.2
Duesseldorf[2]	9.33	9.28	0.5
Frankfurt am Main[3]	11.76	11.66	0.9
Hamburg[4]	15.43	15.21	1.5
Cologne[5]	7.87	7.85	0.3
Munich Region[6]	21.60	21.25	1.7
Stuttgart[7]	9.15	9.09	0.7

[1] City area; [2] City area incl. Ratingen, Neuss, Erkrath and Hilden;
[3] City area incl. Eschborn and Kaiserlei; [4] City area; [5] City area;
[6] City area incl. surrounding municipalities; [7] City area incl. Leinfelden-Echterdingen
Data as of January 2023; Source: JLL

According to JLL, a total of 3.5 million sqm of office space was newly leased in the seven largest German real estate markets in 2022. This means that office space take-up grew robustly by 6.5% despite many adverse factors. One reason for this is that the German economy did not contract in the second half of 2022, as many had expected. Instead, it actually grew slightly, and the labor market also has showed a positive development. The number of people in employment in Germany reached a record level in 2022. The increase in employment of a good 548,000 people related almost entirely to the service sector. This development supported demand for office space.

With COVID-19 measures being eased, more employees have returned to their office and reduced their time they had been working from home. According to a survey conducted by the German ifo Institute in December 2022, 25% of employees in Germany work from home either all or some of their working hours. This means that the rate has stabilized following the abolition of the requirement to offer work from home schemes and amounted to 24.9% already in April. In the service sector, 36.1% of employees worked from home, while in wholesale and manufacturing the figure was just under 16%. The lowest proportions were recorded in the retail trade (6.1%) and construction (5.3%) sectors. In December 2021, the share in Germany had amounted to 27.9%, down from 31.7% in March 2021. Before the outbreak of the coronavirus pandemic, less than 15% of the workforce had been working from home.

DEVELOPMENT OF OFFICE SPACE TAKE-UP IN THE A CITIES

Office space take-up incl. owner-occupied space (in qm)	2022	2021	Change (%)
Berlin[1]	765,000	870,800	–12
Duesseldorf[2]	318,000	325,900	–2
Frankfurt am Main[3]	430,800	467,900	–8
Hamburg[4]	597,700	488,000	22
Cologne[5]	326,400	329,500	–1
Munich Region[6]	760,100	662,700	15
Stuttgart[7]	305,900	144,000	112

[1] City area; [2] City area incl. Ratingen, Neuss, Erkrath and Hilden;
[3] City area incl. Eschborn and Kaiserlei; [4] City area; [5] City area;
[6] City area incl. surrounding municipalities; [7] City area incl. Leinfelden-Echterdingen
Data as of January 2023; Source: JLL

As some companies do not need all the space they have leased or need to reduce costs, a total of 735,000 sqm was offered for subletting at the end of 2022, according to JLL. This is just under 16% of the total vacancy and two percentage points more than in 2021. In the seven largest German cities, the total stock of vacant office space increased by just under 9% in 2022 to a total of 4.7 million sqm. The vacancy rate increased from 4.5% in 2021 to 4.9% in the year under review. This was due to an increase in new construction to 1.76 million sqm, up around 10% over 2021. More than 70% of this office space was leased at the time of completion. Material bottlenecks, a shortage of skilled workers and increased financing costs meant that almost 200,000 sqm of office space will not be completed in 2022 as planned, but only in 2023.

DEVELOPMENT OF VACANCY RATES ON THE A CITIES OFFICE MARKET

In %	Q4 2022	Q4 2021
Berlin[1]	4.4	4.1
Duesseldorf[2]	7.9	7.8
Frankfurt am Main[3]	8.5	7.7
Hamburg[4]	4.2	3.8
Cologne[5]	3.0	3.4
Munich Region[6]	4.1	3.9
Stuttgart[7]	2.6	1.7

[1] City area; [2] City area incl. Ratingen, Neuss, Erkrath and Hilden;
[3] City area incl. Eschborn and Kaiserlei; [4] City area; [5] City area;
[6] City area incl. surrounding municipalities; [7] City area incl. Leinfelden-Echterdingen
Data as of January 2023; Source: JLL

According to figures from JLL, top rents in the seven most important German office markets grew at an unexpectedly strong pace in 2022 (comparison of the respective fourth quarters). The significant rent increases in the top segments of the German office markets were not limited to individual and small-scale deals, but also involved leases in the four-digit square meter range. Service companies in particular are looking to secure high-quality space in prime locations in order to attract and retain skilled staff and talent.

DEVELOPMENT OF PRIME RENTS ON THE A CITIES OFFICE MARKET

in €/sqm per month	Q4 2022	Q4 2021	Change (%)
Berlin[1]	41.50	39.00	6.4
Duesseldorf[2]	38.00	28.50	33.3
Frankfurt am Main[3]	46.00	42.50	8.2
Hamburg[4]	34.00	31.50	7.9
Cologne[5]	28.50	26.50	7.6
Munich Region[6]	44.00	42.00	4.8
Stuttgart[7]	33.00	25.50	29.4

[1] City area; [2] City area incl. Ratingen, Neuss, Erkrath and Hilden;
[3] City area incl. Eschborn and Kaiserlei; [4] City area; [5] City area;
[6] City area incl. surrounding municipalities; [7] City area incl. Leinfelden-Echterdingen
Data as of January 2023; Source: JLL

Residential real estate market
The weaker economy, rising inflation and sharply rising interest rates weighed substantially on the investment activity in the German housing market in 2022. In addition, high sustainability targets for investment were introduced by the EU Taxonomy Regulation which came into force on January 1, 2022. Achieving these goals is subject to costs. By contrast, the German residential real estate market proved robust with regard to the COVID-19 pandemic, according to the assessment of the German Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR).

On the basis of information from BNP Paribas Real Estate, transactions involving larger residential portfolios of 30 units or more totaled €13.1 billion nationwide in the year under review. This represents a decline of around 74% compared with the previous year. However, the transaction volume had peaked in 2021, mainly due to the €22 billion takeover of Deutsche Wohnen by Vonovia.

At 33.9%, project developments and forward deals accounted for the largest share of transaction revenues in 2022, according to BNP Paribas Real Estate. Existing individual properties followed with 27% or €3.49 billion, attributable to around 150 transactions. In contrast to previous years, existing portfolios accounted for only 26.5% or €3.47 billion of revenue in 2022 – the lowest level in ten years. The transaction market was focused more on small-scale deals in 2022 than in previous years, mainly due to the low proportion of traded portfolios. Overall, JLL recorded 372 transactions, representing a moderate decline after 420 deals in the previous year.

According to JLL, around 80% of all investments in 2022 related to the “Core-plus” segment, i.e. properties that can be upgraded to the highest quality level “Core” with manageable investments. While asset and fund managers as well as real estate companies accounted for only 30% of buyers on average in the past five years, they dominated market activity in 2022 with 78%. While real estate stock corporations made up around 29% of buyers on average over the past five years, they had almost completely withdrawn from the market in 2022.

According to BNP Paribas Real Estate, residential real estate in Germany’s seven largest cities changed hands for a total of €6.18 billion in 2022. The A cities thus accounted for 47% of the nationwide transaction volume. Berlin accounted for just under half of this percentage, i.e. €3 billion – the lowest level since 2014. In Hamburg, the residential investment market grew to €1.42 billion.

The net prime yields for new construction projects increased significantly over the course of the year. BNP Paribas Real Estate identified Munich as the most expensive location with a yield of 2.80%, followed by Berlin, Frankfurt am Main and Stuttgart (2.85% each). In Duesseldorf, Hamburg and Cologne, a yield of 2.90% was determined for the end of 2022. According to an analysis by JLL, prices for energy-efficient residential properties in the first half of 2022 were between 12% and 33% higher on average than for less efficient buildings.

The rising prices are partly the result of high immigration into the German housing market, and partly due to new construction lagging well behind demand. The situation is exacerbated by a shortage of skilled workers and materials, rising inflation and higher construction interest rates. Accordingly, numerous property owners have put their construction projects on hold completely.

According to a recent evaluation by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR), the number of apartments approved by planning authorities but not yet completed at the end of 2021 was highest in Berlin (65,800). This was followed by Munich (36,600), Hamburg (26,500), Frankfurt am Main (15,800) and Leipzig (10,500). According to the Federal Statistical Office, the construction backlog at the end of 2021 totaled 846,500 apartments nationwide.

This environment also led to potential property owners and prospective buyers abandoning their plans and opting to live in rented accommodation, which led to a turnaround in the markets. In Germany’s eight largest cities (A cities plus Leipzig), purchase prices for condominiums had risen more strongly than rents over the year. However, in the second half of 2022, according to JLL, asking rents rose by an average of 6.3%, significantly more than advertised purchase prices, which increased by an average of 1.6% over the same period.

According to BNP Paribas Real Estate, demand for housing in Berlin in particular is currently met by far too little supply. Completions lag well behind the number of households moving in. At year-end 2022, the vacancy rate was 0.9%. In addition to a high number of households moving in and a lack of new construction, the rental market in Berlin is also noticeably influenced by political discussions. These include possible interventions in rent setting, such as rent tax, a ban on subdivision, and new calculation methods for the rent index.

According to JLL, the median rent for the Berlin market as a whole rose by 15.5% year on year to €16. The expiry of the rental cap also contributed to this increase, which was by far the largest of the eight most populous cities in Germany. Berlin was followed by Leipzig (+8.9%) and Hamburg (+7.0%). By contrast, Munich (+2.4%) and Stuttgart (+1.7%) saw only moderate growth of rents. Munich remained the most expensive residential rental market among Germany’s major cities in the second half of 2022, with a median rent of €21.40.

According to JLL, the prime rent for apartments increased by an average of 6.2% year over year. This means that 2022 exceeded the average of the last five years (3.5%). Berlin experienced the largest increase in this price segment (14.6%), followed by Leipzig (11.1%). However, the highest rent among the major cities continues to be paid in Munich (€30). In new buildings, rents increased by 3.8% during the year under review. According to JLL, Leipzig recorded the largest increase (9.1%), followed by Hamburg (8.2%). In Cologne, rents for new apartments, however, fell by 5.0% to €15.20 year on year.

Notably, the eight largest German cities in 2022 showed a different rental price trend than their surrounding areas. For example, rents for apartments within a 30-minute drive of the city limits fell 5.8% compared with the previous year. Those who moved even further away from the metropolitan areas were able to rent their apartment in 2022 at a rent that was on average 7.5% below the level twelve months earlier.

In the independent (kreisfrei) cities, rental growth was 4.4%, compared with an average of 5.1% p.a. over the past five years. By contrast, rents in the districts (Landkreise) increased by 6.0%. This is almost in line with the average for the eight metropolitan areas and was well above the five-year average for the districts of 4.4% p.a.

Caused by the sharp rise in interest rates, the residential real estate market experienced a significant drop in demand in the second half of 2022, according to JLL. In the eight largest German cities, the price of a condominium fell by an average of 3.1% compared with the first half of 2022. Condominium ownership was more expensive only in Berlin, up 2.4% in the second half of 2022 over the first six months of the year. Year on year, however, prices for condominiums in the metropolitan areas were still 1.6% higher in the year under review than in 2021.

In addition to the eight cities with the largest populations, GATEWAY's focus cities also include Augsburg, Chemnitz, Dresden and Mannheim. According to Engel & Völkers Commercial, the transaction volume for multi-family homes in Augsburg, which has a population of around 300,000, fell from €374 million in 2021 to €255 million in 2022 – a decline of 31.8%. In the fourth quarter of 2022, the average asking rent for existing apartments was €11.77 (Q4 2021: €11.50) and for new apartments €14.17 (Q4 2021: €14.21), roughly the same level as in the last quarter of 2021. Engel & Völkers Commercial recorded a largely stable investment market for multi-family home in Chemnitz, which has a population of around 244,000 people. At €190 million, the transaction volume in the year under review was 4.2% down on the previous year's figure of €198.4 million. Rents for existing properties, which have been rising steadily for years, continued their trend in 2022 and stood at €5.61 in the fourth quarter of 2022 (Q4 2021: €5.50). Asking rents for new residential units fell from €8.41 to €8.24 in the same period. With a population of around 562,000 people, the state capital Dresden is the second-largest city in Saxony. According to Engel & Völkers Commercial, multi-family housing transactions totaled €675 million in 2022, down 9.3% from €744.3 million a year earlier. Rents for existing apartments increased by 5% between the fourth quarter of 2021 and the fourth quarter of 2022, from €8.23 to €8.64. Rents for apartments in new buildings rose from €12.00 to €12.39, an increase of 3.25%. According to the Mannheim's Municipal Statistics Office, around 326,000 people had their primary residence in Mannheim at the end of 2021. According to the latest available data from 2021, 1.4% of apartments in the city were vacant, according to Engel & Völkers Commercial. The average asking rent for apartments increased by 0.5% year over year to €10.35. A transaction volume of €215 million to €235 million was forecast for 2021.

2.2.5 COMPETITIVE SITUATION AND MARKET POSITION OF THE GROUP

In fiscal year 2022, GATEWAY competed with local, medium-sized real estate companies, municipal and community-owned companies, and listed real estate groups due to the Company's business activities in the individual markets and asset classes. Due to the lack of available projects, companies in the latter group in particular are increasingly pursuing a develop-to-hold strategy, i.e. project development for their own portfolio. In addition, the consolidation of the market is progressing, such as the merger of the second-largest housing group Deutsche Wohnen with market leader Vonovia in 2021.

However, in the past, GATEWAY did not primarily compare itself with large listed portfolio holders, such as Deutsche Wohnen or LEG Immobilien SE, which are building up their own development segments alongside their standing assets business. Instead, GATEWAY considered primarily listed German-speaking companies with a development focus as its competitors in the narrow sense. The group of competitors above all includes the SDAX-listed Instone Real Estate Group SE. The company has been suffering from the Ukraine war which has exacerbated its business situation, which was already affected by material shortages and rising energy prices. Rising mortgage interest rates also weighed on the business outlook from the second quarter of 2022. As a result, the share price halved during the remainder of the year, and market capitalization fell from around €782 million at the end of 2021 to around €381 million as of December 30, 2022.

UBM Development AG, which is listed in Austria, but has large operations in Germany, declined considerably in terms of its market capitalization of around €170 million as of year-end 2022 (December 30, 2021: €324 million). The company is rather focused on office property developments and thus can no longer be seen as a direct competitor since GATEWAY sold the major portion of its office development business with the sale of Development Partner in the reporting year 2021.

With a market capitalization of around €758 million as of December 30, 2022, GATEWAY is one of the top developers listed on the stock exchange. This is one of the reasons why it is rather the large listed residential property companies, with their own project development activities, which can be regarded as being GATEWAY's competitors in the future.

2.3 BUSINESS DEVELOPMENT

The past fiscal year 2022 was very challenging. Despite a slowdown of the COVID-19 pandemic, some significant pandemic-related constraints continued to weigh on the economy, and the expansion of the Russian invasion in Ukraine on February 24, 2022, led to shortages of key basic products on world markets, which resulted in global inflation, particularly for energy and food. This resulted in a strong increase in inflation, with the ECB raising interest rates in response.

In the fiscal year 2022, the existing project developments were advanced as planned, while at the same time possession, benefits and obligations were transferred for a part of the Leipzig development site that was acquired in the previous year. However, the planned acquisition of the entire project development was canceled in the year under review. A standing asset in Leipzig was also sold. The city of Hamburg exercised its pre-emptive right in relation to the Hamburg project development. Negotiations are ongoing.

On April 22, 2022, Norbert Ketterer submitted to Gateway Real Estate AG the formal request pursuant to Section 327 a (1) sentence 1 of the German Stock Corporation Act (AktG) that the Annual General Meeting of Gateway Real Estate AG shall resolve to transfer the shares of the remaining shareholders (minority shareholders) to Norbert Ketterer against payment of an appropriate cash settlement (so-called squeeze-out under stock corporation law). There has been no letter specifying more details so far.

On November 18, 2022, the Management Board announced that – in the context of a reassessment of the sales pipeline – it had determined that the sales planned for the current fiscal year 2022 cannot be completed as expected, in particular in connection with forward sales in the Residential Properties Development segment. As a result, the earnings contributions for the planned EBIT adjusted (previously €125–140 million) and the planned earnings before taxes (EBT) (previously €70–85 million), each in the amount of approximately €90 million, will not be realized in the current fiscal year. The reason for this is the significant slowdown of the economy and a considerably lower sales speed, in particular as a result of the changed interest rate environment.

2.4 FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS

2.4.1 FINANCIAL PERFORMANCE

In fiscal year 2022, the financial performance of the Group of Gateway Real Estate AG developed below the projected range, driven by the continued cooling of the economy and primarily due to the adjustments to the fair value of investment properties.

The measures started in the previous fiscal year to implement the adopted strategy adjustment, focusing on the Residential Properties Development business area, however, continued to be implemented consistently.

Accordingly, the Group of Gateway Real Estate AG generated revenue in a total amount of €10.3 million (previous year: €22.4 million), mainly from lettings. The revenue reduction by €12.1 million to €10.3 million is attributable to the disposal of shares held in Development Partner AG, including its subsidiaries, as part of the discontinuation of the Commercial Properties Development segment in the prior year. Revenue generated by the discontinued operation in the prior year mainly resulted from the progress toward completion of three forward sales in the amount of €8.9 million as well as from lettings in the project companies.

Gross profit amounted to €137.0 million (previous year: €128.5 million), which, in addition to the revenue mentioned above, comprises changes in inventories of finished goods and work in progress of €112.4 million (previous year: €73.6 million) – largely consisting of capitalized construction costs and construction period interest – and other operating income in a total amount of €14.2 million (previous year: €32.5 million).

The decline in other operating income by €18.3 million compared to the prior-year period is primarily attributable to the disposal of the shares held in Development Partner AG, including its subsidiaries, which was carried out in the previous year as part of the strategic adjustment, and the associated income recognized from deconsolidation amounting to €28.1 million. In the fiscal year under review, other operating income also included capitalized project-related expenses of €12.9 million for the project development in Mannheim; the related land purchase had not yet been completed on a prorated basis as of the reporting date and was thus reported under other non-financial assets.

In the reporting period, the costs for raw materials and consumables used increased by €22.6 million over the prior-year period to €79.4 million and mainly consist of the construction costs of the inventory properties (€66.7 million), acquisition costs for land (€5.2 million) as well as management costs for the rented properties (€7.5 million). The employee benefits expense fell by a total of €1.9 million to €5.2 million. The decrease on the previous year is largely attributable to the business area that was discontinued in the previous year. Employee benefits expenses of €1.0 million also had been incurred in this context in the prior year. Adjusted for this effect, employee benefits expense would have remained virtually unchanged.

The fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale amounted to €–18.1 million due to measurement effects confirmed by way of an appraisal. The goodwill impairment test conducted as of September 30, 2022 resulted in impairment losses on goodwill and other non-current assets of the Standing Assets business area in the amount of €6.9 million, reported under the line item "Depreciation and amortization expense." Other operating expenses amounted to €8.6 million (previous year: €26.2 million). The previous year's figure mainly included contractual penalties in the amount of €16.0 million. In the fiscal year 2022, GATEWAY achieved an overall operating profit of €18.4 million (previous year: €105.3 million).

Net finance costs in the fiscal year 2022 amounted to €–52.3 million (previous year: €–35.1 million) and include finance costs of €60.6 million (previous year: €42.0 million). Finance costs are partially offset by finance income in the amount of €8.3 million (previous year: €6.8 million). The increase in net finance costs results from the fact that the project financings initially recognized during the previous year were held for the entire fiscal year 2022.

Earnings before tax (EBT) amounted to €–33.9 million (previous year: €70.2 million). After consideration of positive income taxes of €2.2 million (previous year: €–15.5 million), consolidated profit for fiscal year 2022 amounted to €–31.7 million (previous year: €54.7 million). This corresponds to basic earnings per share of €–0.17 (previous year: €0.27) and diluted earnings per share of €–0.17 (previous year: €0.27). The EBIT adjusted amounted to €18.4 million (previous year: €105.3 million).

2.4.2 FINANCIAL POSITION

The GATEWAY Group's total assets increased from €1,349.6 million as of December 31, 2021 by 6.1% or €81.9 million to a total of €1,431.5 million as of December 31, 2022.

On the assets side, the increase was primarily attributable to current assets, which rose by €125.1 million to a total of €1,132.0 million. However, non-current assets decreased by €43.2 million to €299.6 million, thus being significantly lower than the previous year's level. The decline is attributable to the impairment losses in the amount of €–6.9 million recognized on goodwill and other non-current assets of the Standing Assets business area as of September 30, 2022 as a result of the annual impairment test conducted in accordance with the provisions of IAS 36 as well as negative fair value measurement effects in the amount of €–18.1 million from investment properties in accordance with IAS 40. Furthermore, changing maturities resulted in transfers of other financial assets to current assets.

The rise in current assets is mainly the result of the increase in inventories of €134.8 million. In addition to ongoing changes in inventories of finished goods and work in progress, a development property in Leipzig acquired in the second quarter of 2022 also was a reason for the increase in inventories. Other financial assets grew by €39.9 million. The increase is mainly attributable to accrued interest of €8.0 million and additional borrowings in the amount of €10.6 million granted to a project development in Leipzig. Cash and cash equivalents declined by €7.5 million to €9.0 million. As a result of the sale of the standing asset in Leipzig, which is reported under non-current assets held for sale, the item fully decreased by €43.8 million.

In terms of liabilities, the Group's non-current liabilities amounted to €431.4 million as of the reporting date (previous year: €241.3 million); the major portion of that amount is attributable to non-current financial liabilities in the amount of €383.8 million (previous year: €186.7 million).

The year-on-year increase of €189.9 million is largely driven by the prolongations of financings implemented in the year under review and the associated reclassification from current to non-current liabilities. Furthermore, new financial liabilities in an amount of €128.2 million were raised.

Current liabilities totaled €621.1 million as of December 31, 2022 (previous year: €697.5 million). The major portion of that amount was attributable to current financial liabilities (€432.0 million; previous year: €501.0 million); the decrease in current financial liabilities by €69.0 million is primarily attributable to the reclassification described above.

The decline of trade payables by €8.1 million primarily results from the principal repayments regarding the purchase price liability from the purchase of the project developments Borussia Köln Deutz Quartiere and Borussia Dresden Quartiere am Blüherpark.

The GATEWAY Group's equity as of December 31, 2022 amounted to €379.1 million (previous year: €410.8 million). The reduction is due to the negative consolidated profit. Overall, the Group's equity ratio fell from 30.4% at the end of the prior year to now 26.5%, driven by the lower Group equity as well as higher total assets.

2.4.3 CASH FLOW

The cash inflows and outflows in the fiscal year 2022 overall led to a substantial decrease in cash as of December 31, 2022, primarily caused by negative cash flows from operating activities. Cash inflows from financing activities had positive effects on cash flows from investing activities, mainly due to the issuance of a promissory note loan and other drawdowns of tranches issued under building construction financings and proceeds from a purchase price for a standing asset in Leipzig.

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CONDENSED CASH FLOW STATEMENT

in € thousand	12/31/2022	12/31/2021
Cash flows from operating activities	–135,403	–91,190
Cash flows from investing activities	40,889	68,422
Cash flows from financing activities	87,008	–11,324
Net decrease/increase in cash and cash equivalents	**–7,506**	**–34,092**
Cash and cash equivalents as of 01/01	16,457	50,549
Cash and cash equivalents as of the end of the period	8,951	16,457

The negative cash flows from operating activities amounted to €135.4 million in the fiscal year 2022. The cash outflows increased significantly compared to the prior-year period by €44.2 million, which was attributable to cash outflows from the increase in inventories by €124.7 million (previous year: €102.5 million) as a result of construction activities in relation to project developments. At the same time, there were cash flows from changes in trade payables following the settlement of outstanding purchase price liabilities and other trade payables in a total amount of €12.1 million. The increase in trade payables in the previous year resulted in an opposite effect of €14.5 million.

The positive cash flows from investing activities in the amount of €40.9 million (previous year: €68.4 million) includes the cash inflows from the standing asset in Leipzig, which was sold for an amount of €41.2 million in the third quarter of 2022 and was reported under non-current assets held for sale. In the prior-year period, the item mainly included purchase price payments received from the sale of the Commercial Properties Development segment, less cash and cash equivalents acquired and disposed in the amount of €106.4 million. There were no cash flows required to be recognized in this context in the fiscal year 2022.

The positive cash flows from financing activities in the amount of €87.0 million (previous year: €–11.3 million) are attributable to proceeds from borrowings in the amount of €187.5 million. The major contributor was the purchase of an urban quarter development in Hamburg, which was refinanced by a promissory note loan in the reporting period, as well as the drawdown of further tranches of building construction activities for project developments in Berlin. This was offset by the repayment of loans in the amount of €100.1 million. The increase in new borrowings and repayments of loans results from the refinancing of existing acquisition financings for building construction activities. In the prior-year period, the negative cash flows from financing activities in the amount of €11.3 million primarily resulted from repayments of loans.

The loans are subject to both fixed and variable interest. The fixed-rate loans have an interest rate between 2.35% and 20.0% (previous year: between 2.35% and 20.0%). There were no financial liabilities denominated in foreign currencies as of the reporting date, and neither were there any interest rate swaps or other stand-alone derivative financial instruments as of the reporting date.

In 2022, GATEWAY was able to meet its payment obligations at all times. The net decrease resulting from the cash flows in the fiscal year 2021 described above totaled €7.5 million, resulting in a reduction of cash and cash equivalents to €9.0 million as of December 31, 2022. As of the previous reporting date (December 31, 2021), cash and cash equivalents had amounted to €16.5 million. Apart from free liquidity, there are unutilized credit facilities from project financings in the amount of €270.6 million as of the reporting date (December 31, 2021: €137.6 million).

Compared to the previous year, commitments and contingencies were entered into in the form of sureties and guarantees in the year under review. However, the utilization is considered generally unlikely on the basis of the economic condition of the beneficiaries. See Note 7.2.

In contrast, the collateral provided in form of the pledge of shares in SKE Immo Sulzbach GmbH in connection with the non-Group project development in Leipzig (see Note 7.2) was utilized after the reporting date (see Note 7.8).

3. REPORT ON RISKS AND OPPORTUNITIES

3.1 RISK MANAGEMENT SYSTEM

In connection with its business activities, Gateway Real Estate AG is exposed to a number of general and specific risks that could jeopardize the implementation of its strategy and the achievement of corporate goals.

These risks arise from potential changes in the social, political, legal, economic, and technical framework. However, within the context of its management of risks and opportunities, GATEWAY recognizes that changes may also present the possibility to identify new business opportunities and to generate additional economic success.

In order to identify, monitor and evaluate risks early, Gateway Real Estate AG has established an internal risk management system that accounts for the Group structure and the business model and complies with the applicable legal requirements set out in the German Stock Corporation Act (Aktiengesetz; AktG) and the Law on Control and Transparency in Business (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich; KonTraG). The risk management system also complies with the recommendations of the German Corporate Governance Code, with the exception of the matters mentioned in the declaration of compliance:
https://www.gateway-re.de/en/investor-relations/corporate-governance/declarations-of-compliance/corporate-governance-bericht/

Risk management in relation to the Company is understood to be a systematic, value-oriented or performance-oriented approach to the analysis and handling of risks and opportunities. Gateway Real Estate AG's company-wide risk management is based on the COSO framework (Enterprise Risk Management – Integrating with Strategy and Performance). The reference model is divided into the following five components:

— Governance and culture,
— Strategy and objectives,
— Implementation,
— Review and audit,
— Information, communication and reporting.

The risk management system provides for a continuous assessment and analysis of all risks and opportunities relevant for GATEWAY to be able to respond to any potentially harmful risks in a timely and appropriate manner and make the best possible use of any opportunities arising.

GATEWAY distinguishes the following categories in the context of risk classification:

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Assessment of probability of occurrence	Classification of probability of occurrence	Probability of occurrence (as a percentage, within one planning year)
1	unlikely	0–30%
2	possible	31–50%
3	likely	51–70%
4	almost certain	71–90%
5	certain	91–100%

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Evaluation of impact	Classification of impact	Share in adjusted EBIT	Impact in € thousand, rounded (based on adj. EBIT of €150 million)
1	not significant	0.0–0.1%	0–150
2	low	0.1–0.5%	150–750
3	medium	0.5–1%	750–1,500
4	high	1–3%	1,500–4,500
5	very high	3% –	4,500–

For more detailed information, please refer to the section "Internal control system and risk management system relating to the Group accounting process".

3.2 RISK REPORT AND INDIVIDUAL RISKS

The risks that Gateway Real Estate AG is exposed to in its business activities can be allocated on the one hand to the area of general economic and cyclical developments and on the other hand to industry-specific trends within the real estate sector. Such risks cannot be influenced by the Company itself, but are rather attributable to political and economic developments on a global and national scale. The development of inflation and interest rates, and of income and purchasing power of the population as well as changes in the legal and tax framework and in the balance between supply and demand on the real estate markets that are relevant for GATEWAY may have an impact on GATEWAY's business performance. Likewise, unexpected events such as the global outbreak of the COVID-19 pandemic in 2020 may have an impact on GATEWAY's business performance.

In the following, we present individual risks that may have an impact on the financial position and performance of the GATEWAY Group, with a distinction being made between property-specific and company-specific risks. The assessments of the probabilities of occurrence as well as the financial impact are made on the basis of the classifications in the matrix presented ("risk classification"). GATEWAY's assessment of the financial risk and the underlying potential loss amounts is, unless otherwise noted, always based on a potential net loss amount, where countermeasures defined by GATEWAY and their effects are already taken into account in the calculation.

3.2.1 PROPERTY-SPECIFIC RISKS

Identification of risks upon acquisition

As a developer of residential properties operating across Germany in the Top 9 locations and selected high-growth regions, the acquisition of new plots of land and development projects as well as the partial sale of completed projects are integral parts of GATEWAY's business activities. In the future, the Company will also build residential real estate for its own portfolio (build-to-hold). The Company generates the major portion of its total operating revenue from the sale of development projects. If planned sales transactions do not materialize, the Company might incur unplanned follow-up costs on the one hand and there might be a loss of budgeted income on the other hand. If planned purchases of land plots or development projects do not materialize, the Company's earnings potential could also be reduced.

Risks might arise in connection with purchase contracts if contractual obligations are not complied with or if bad debts arise, which in turn may result in costs for the rescission of the relevant contracts as well as interest charges due to the later inflow of liquidity. Moreover, risks may arise in connection with the purchase of land plots and development projects if hidden defects related to the acquired properties are not identified prior to purchase, resulting in additional expenses, or when the purchase does not materialize and the Company has to bear the costs already arisen during the acquisition process.

Against the background of the ongoing war in Ukraine and its effects, it is possible that planned transactions may be delayed or may not be completed in the manner intended. As a result, projected income may not be generated or may only be realized later than expected. In order to avoid or minimize transaction risks, GATEWAY has determined internal rules for the conduct of due diligence reviews in the course of property acquisitions as well as detailed purchase criteria and is managed by an experienced management team that maintains close contact with other market participants such as appraisers and brokers. In terms of transaction risks, the Management Board generally assumes a possible probability of occurrence at the moment, while the development due to the war in Ukraine and its effects cannot yet be finally assessed to its full extent. If the corresponding risks were to manifest themselves, this would result in a low financial impact for the Group.

Errors in planning assumptions

The risk of loss of rental income is the risk that the actual rental income is lower than the contractually agreed rents. GATEWAY seeks to minimize the risk of loss of rental income through a prudent selection of contracting parties. In addition, the usual hedging instruments are used, such as rent deposits or guarantees. Potential bad debts are addressed through a structured receivables management process. With regard to the risk of loss of rental income, the Management Board assumes a possible probability of occurrence and, if it does occur, expects a low financial impact.

Adherence to planning assumptions

The letting risk is the risk that space cannot be rented out initially or subsequently or not at an appropriate price. Rental prices are subject to economic volatility and market cycles that, on the one hand, have an impact on the demand for rentable space and on the other hand on the market rent levels. This may result in a lower letting rate and thus to a reduction of rental revenues. GATEWAY's Management Board considers the probability of occurrence with regard to the letting risk for the Group's current rental portfolio to be possible and the potential amount of damage as low.

Each standing asset is assessed once per year by an external valuer. However, there is the risk that the fair value thus determined is higher than a potential sales price and that a sale eventually leads to a loss. There is also the risk that no investors can be found for the assets intended for sale. In order to avoid any deviations from planning assumptions, the business plan is regularly reviewed and adjusted accordingly if major changes occur. Currently, the probability of occurrence is considered unlikely, and the potential amount of damage, after countermeasures are taken into account, is considered not significant.

Environmental risk and risk from contaminated sites

Within the context of the acquisition of properties, the Group is exposed to the risks that, based on applicable regulations, expenses may arise to prevent any threats to public safety and order when contaminated sites were not or not sufficiently known upon the acquisition of properties or when unforeseen adverse effects on the environment or potential threats to public safety and order arise in connection with project developments. If environmental risks or risks from contaminated sites should materialize, this could have material effects on GATEWAY's financial position and performance. The intensive tests for contamination and other hazards carried out by external experts at GATEWAY's development projects and acquired properties currently indicate an unlikely occurrence of any environmental or contaminated site risks, which the Management Board considers to be subject to a low financial risk.

Development

A number of specific risks arise in connection with the project developments realized by GATEWAY. Firstly, these risks refer to the situation that the Group depends on external suppliers, service providers, and other contracting parties in the realization of its projects. As a result of a strong demand for construction services, the corresponding capacities may become scarce with the consequence that planning and construction services cannot be provided as scheduled. Secondly, the required approval procedures may be subject to delays or requirements or the required approval may be denied altogether, which in turn may delay or challenge the realization of a project and may cause additional costs or even the loss of planned income from the project. In addition, the start or completion of construction activities in the context of the realization of a project might be postponed and the construction costs might increase to an extent that cannot be compensated via the selling price. Project development risks may have a large impact on the financial position and performance of the GATEWAY Group. Against this backdrop, GATEWAY regularly carries out sensitivity analyses in connection with the calculation and controlling of projects, in which the effects of potential increases in construction costs are examined and suitable countermeasures taken to offset them. In the acquisition process, all development projects are evaluated and analyzed on an individual basis. The Management Board is closely involved in the supervision of costs and scheduling of each individual development project over the entire project period. On the basis of this close supervision, the Management Board currently only sees a possible project development risk in GATEWAY's current project portfolio, which, if it does occur, could have a low financial impact after countermeasures are taken.

3.2.2 COMPANY-SPECIFIC RISKS

Financing risk

In order to finance the acquisition of new plots of land and the realization of project developments, GATEWAY uses debt funding in a way that is usual in the industry and in a significant volume. The availability of borrowings and the terms at which such borrowings can be taken out depends to a large degree on the development of the capital market environment, in particular on the development of interest rate levels, but also on the situation in the banking sector and its regulatory requirements. In addition, risks might arise in connection with debt financing when arrangements agreed upon in financing contracts cannot be complied with. Against the background of the current coronavirus pandemic, it is also possible that, due to internal risk reassessments and adjustments to financing policies, banks and other financing partners may need more time than before to review and decide on financing requests. This could lead to a delay in the purchase of land or the completion of projects for which the relevant borrowed funds are to be used. In the event that the coronavirus pandemic leads to a longer-lasting recession with related negative effects on the economy as a whole and the financial sector in particular, defaults by banks or other financing partners would also be possible. Financing risks may have a very large impact on GATEWAY Group's financial position and performance and, in an extreme scenario, could have a very high financial impact. GATEWAY addresses these risks by continuing to diversify its instruments and sources of financing. The Management Board currently considers the probability of financing risks to occur to be possible; however, taking into account the measures initiated by GATEWAY, it has identified a low financial impact.

As part of the existing debt financing, GATEWAY and its subsidiaries transferred extensive collateral to banks and other financing partners. The loan agreements contain clauses pursuant to which the banks and the other financing partners have a right of termination and may realize the collateral in the event of a material deterioration of the Group's financial position and performance or non-compliance with certain loan conditions, the so-called covenants (e.g. LTV or LTC). Due to the diversified project portfolio, the Management Board does not see any impairment of the Group's development in the event of an individual realization of collateral.

Liquidity risk

If the Company cannot meet its payment obligations when due owing to a lack of liquidity, this could have a very high negative impact on the business activities and the economic situation of the Company. Monitoring liquidity development and liquidity management is therefore a major focus of the overall corporate management. Nevertheless, based on the continuous monitoring and controlling of the liquidity situation, the Management Board currently considers the occurrence of liquidity risks to be possible, taking into account mitigating measures, but classifies the financial impact as not significant.

Tax compliance

Tax risks may result from tax-relevant matters that are not taken into consideration or from the filing of incorrect tax documents, but they may also be the result of changes in tax legislation. This can lead to higher tax burdens for the Company and hence additional outflows of liquidity. In addition, changes in the tax framework for the Company or its potential customers may exacerbate the Company's operating activities or make them less viable in economic terms. In order to manage the corresponding risks, management regularly analyzes the current tax situation and possible scenarios for the short to medium-term development in coordination with the Group's tax advisors. The Management Board currently assesses the probability of tax risks to occur as possible; if they did occur, such risks could have a low financial impact on the Group.

Risks from publication requirements and the ban on insider trading

Due to the fact that GATEWAY is listed on the stock exchange, the Company is subject to increased disclosure requirements and the rules on the prohibition of insider trading. The violation of publication requirements and bans on insider trading may result in major sanctions imposed by regulatory authorities. In order to counteract the risk arising from breaches of publication requirements and ban on insider trading, deadline calendars and insider lists are maintained and non-disclosure agreements are concluded. Should risks actually materialize, specialized law firms are engaged to avoid any threatened fines. The Management Board currently assesses the probability of such risks to occur as possible; if they did occur, such risks could have, after countermeasures are taken into account, a low financial impact on the Group.

Regulatory risks

GATEWAY's business activities are influenced by changes in the legal framework and applicable laws and regulations. This concerns, in particular, building law and building planning law, but also legal regulations for other more or less closely related areas such as fire protection or environmental protection. Changes in the legal framework in these areas may result in higher expenses or lower income for the GATEWAY Group. In order to counteract the risk exposure arising from regulatory risks, the relevant specialist corporate departments are informed at an early stage about upcoming changes in legislation and receive ongoing training. In this context, GATEWAY also uses client circulars and news services from law firms. In this case, the Management Board expects a low impact on the financial situation of the Group, but the probability of occurrence is currently assessed as possible.

Some of the projects developed by GATEWAY also comprise the redevelopment of listed buildings. The high restructuring costs associated with a listed building (as compared to the costs for an unlisted building) are offset by tax benefits. In this context, the Management Board currently sees possible risks, however with only a low impact on the financial situation of the Group.

Human resources risk

The economic success of GATEWAY largely depends on the availability of a sufficient number of appropriately qualified specialists and executives. To that extent, there is the risk that corporate goals cannot be achieved when employees are off sick for a longer time or leave the Company or that young professionals cannot be acquired to a sufficient extent so that existing vacancies cannot be filled.

In order to counteract the loss of employees, regular feedback meetings are held. This enables us to identify possible reasons for the loss of employees at an early stage and to take any appropriate countermeasures. Furthermore, professional human resources consultants are appointed to find new talent for vacancies or new positions.

The spread and the consequences of the novel coronavirus (SARS-CoV-2) have led many companies to restrict business trips even in Germany and recommend their employees to work from home in order to prevent a further spread of the virus. There have already been cases of proven illnesses of employees where domestic quarantine has been ordered over the staff of entire departments or even entire companies. GATEWAY would be well prepared for such an emergency. GATEWAY's employees have business mobile phones and laptops and the Company has set up a modern work infrastructure (e.g. video conferencing software), which allows a large part of the staff to work from home even at short notice. However, should a large number of employees be incapable of working due to sickness, this could also lead to delays in acquisition activities and in the realization of ongoing project developments.

Against this background, the Management Board assumes a possible probability of occurrence, but a low financial impact of potential human resources risks for the Group.

Other litigation

There is the general risk that GATEWAY becomes involved in legal disputes within the scope of its business activities. In this context, the Company may incur additional expenses for legal advice, court costs, fines, or settlements.

As of the end of the reporting year, GATEWAY was not a party to any legal disputes pending before the courts. In order to counteract the risk of legal disputes, specialized law firms are engaged for the respective cases. The probability of occurrence of risks from other litigation is currently assessed as medium; the potential financial impact is assessed as low overall.

Reputational risk

GATEWAY is faced with expectations and requirements of various stakeholder groups within the context of its business activities. In this context, the Group may be presented in a negative way in the media or the public which may do harm to its reputation and may have a negative influence on its business activities. In order to minimize this risk, employees are trained and guidelines are issued to prevent intolerable behavior. The probability of occurrence of reputational risk is currently assessed as possible; the potential financial impact is assessed as insignificant overall.

IT risk
As part of its business activities and the corporate management of GATEWAY, the use of IT systems and the processing of data play a central role. There is the risk that data may be corrupted or are lost due to application errors or external interventions and that IT systems cannot be used as intended. The potential damage of the risk before measures are taken is considered very high, but the occurrence of this risk is considered unlikely. By means of an annual IT audit, comparisons of planned and actual outcome are carried out and specific measures are derived, so that after measures have been taken it is expected that the amount of damage would be not significant.

3.2.3 OVERALL ASSESSMENT OF THE RISK SITUATION
The Management Board of GATEWAY has not identified any material influences arising from the above-mentioned risks (either individually or in their entirety) that may be a threat to the Company's continued existence or its business activities, and in view of the coronavirus pandemic and its impact, which cannot yet be finally determined, as well as in light of the war in Ukraine, the Management Board considers the risk situation as being unchanged from the previous fiscal year. The fundamental assessment of the developments in GATEWAY's focus cities regarding population development and excess demand has not changed, however, the extent and the effects of the coronavirus pandemic and the war in Ukraine on business development still cannot be conclusively assessed. The current economic and social situation is characterized by considerable uncertainty, which makes a reliable forecast impossible. The duration of the pandemic and the expected effects of a possible economic crisis are too uncertain. As a result of the insights gained from the coronavirus pandemic, the Company intends to continue to focus increasingly on the development of residential real estate.

3.2.4 REPORT ON OPPORTUNITIES
GATEWAY is one of the developers of residential properties in Germany with activities spread throughout the country and will in future focus its business activities across Germany on the Top 9 locations and high-growth regions.

The regional presence in various locations within Germany presents the opportunity to react to changes in demand at specific locations with more flexibility than would be possible if there was a stronger regional concentration. The strong dynamic of sociodemographic and economic growth in Germany's Top 9 cities offers the opportunity for a further increase in demand for the property types developed by Gateway in these cities. The residential markets in GATEWAY's focus cities (A cities plus Augsburg, Dresden, Leipzig, Mannheim and Chemnitz) showed a positive development in 2022 in terms of quoted rents and vacancy rates. In terms of employment growth, the A cities are also developing well above the national average (more details in the chapter "Economic framework").

When acquiring new properties and marketing its project developments, the Group benefits from the opportunities arising from good market access, which is based on the extensive network, market knowledge and many years of experience of its management and specialist and executive staff. This also applies to the market-driven design and implementation of the individual projects and their tailoring to the supply and demand situation in the respective local markets.

As an exchange-listed company, GATEWAY may benefit from opportunities for equity and/or debt financing via the capital market. In particular, by further strengthening the equity base by means of capital increases, a better credit rating can be achieved compared to companies that do not have this option due to a lack of a stock market listing. This, in turn, facilitates access to debt financing or allows it to be raised on more favorable terms.

The effects of the coronavirus pandemic and the war in Ukraine on the economy – including crises and recessions – also offer new opportunities for the GATEWAY Group in the procurement market in terms of property and land acquisition.

Financial difficulties of other companies may open up opportunities to acquire properties in particularly attractive locations or subject to particularly favorable terms. In addition, the macroeconomic development, which is dominated by the pandemic and the war in Ukraine, may result in a subdued increase of the purchase prices in certain local real estate markets or segments of real estate markets, or may lead to flat or even falling price levels. This would also offer the opportunity to acquire properties at prices that are lower than originally assumed.

For properties that have already been acquired or are planned to be acquired, the social and political pressure to realize subsidized housing construction projects presents the opportunity for a higher utilization of the plots of land in terms of the building structure to be developed (floor space, constructed area, gross floor area).

4. REPORT ON EXPECTED DEVELOPMENTS

4.1 TARGET ACHIEVEMENT 2022

In the 2021 Group management report and by way of an ad hoc release dated March 21, 2022, GATEWAY issued a qualified forecast for the fiscal year 2022. Accordingly, the Management Board expected an adjusted EBIT of €125–140 million and consolidated earnings before taxes (EBT) of €70–85 million for the fiscal year 2022. As further acquisitions were planned, GDV was expected to reach growth in the low single-digit billions. Both estimates were reduced by approximately €90 million, as announced in an ad hoc release on November 18, 2022. This was due to the slowdown of the economy in view of the changed interest-rate environment.

With an EBIT adjusted of €18.4 million and consolidated earnings before taxes (EBT) of €–33.9 million, GATEWAY did not meet its specified guidance. The main reason for this is that fair value adjustments in relation to the Group's investment properties in the amount of €–18.1 million were recognized following a new expert valuation as well as due to postponed disposals of project developments. GDV growth in the low single-digit billions was not achieved as well due to the discontinued acquisition of one project development in Leipzig. GDV remains unchanged at €6 billion as of December 31, 2022.

4.2 ECONOMIC ENVIRONMENT 2023

4.2.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

According to the projections of the International Monetary Fund (IMF), global growth is expected to decline from an estimated 3.4% in 2022 to 2.9% in 2023, before rising again to 3.1% in 2024. The projection for 2023 is, thus, below the historical average of 3.8% for the years 2000 to 2019. Economic activity continues to be affected by the rise in central bank interest rates implemented in an effort to combat inflation and by Russia's war in Ukraine. Growth in 2022 was depressed by the rapid spread of COVID-19 in China, the most recent reopening of the country, however, has paved the way to a faster-than-expected recovery. Global inflation is expected to decline from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, remaining above the average of around 3.5% for the pre-COVID-19 years 2017 to 2019.

The IMF believes that the world economy continues to be subject to potentially serious adverse factors, including the development of the pandemic in China, Russia's war in Ukraine and the increase in financing costs around the globe. Any further geopolitical fragmentation would also put the brakes on economic progress.

In its winter interim forecast, the European Commission expects economic growth for 2023 to amount to 0.8% in the EU as a whole and to 0.9% for the eurozone. For 2024, growth is expected to be 1.6% for the EU and 1.5% for the eurozone. Consumers and companies are strained by high energy costs. After inflation in the EU was 9.2% in 2022, projections currently assume a decline to 6.4% in 2023 and to 2.8% in 2024. The inflation rate is expected to decline from 8.4% in 2022 to 5.6% in 2023 and 2.5% in 2024.

In view of the high inflation at the beginning of 2023, the European Central Bank (ECB) intends to tighten its monetary policy in order to bring the inflation rate back to the 2% target in the medium term. To this end, the Governing Council of the ECB resolved to raise interest rates significantly and at a steady pace. On February 2, 2023, the ECB increased its key interest rate by 50 basis points to 3.00%. In the next meeting of the ECB's Governing Council on March 16, 2023, the key interest rate was raised by another 0.5% to now 3.50%. KfW Research expects German inflation for the full year 2023 to amount to 5.8%, measured on the basis of the EU-wide comparable Harmonised Index of Consumer Prices (HICP), while KfW Research projects a rate of just 2.1% for 2024.

Apart from geopolitical uncertainties, KfW Research believes that genuine economic risks are also of relevance in this context. In an effort to reduce inflation, central banks may implement monetary policies that are tighter than expected. As a result, pressure for fiscal consolidation would mount in many countries, and bond yields will likely rise, leading to valuation adjustments in assets such as bonds and real estate.

If these book losses materialize, financial institutions may become distressed, triggering a crisis of confidence in the financial sector. This could, in turn, require governments to intervene. For example, the sale of a bond portfolio by Silicon Valley Bank (SVB), a California-based bank specializing in venture capital for the technology sector, resulted in a loss of US$1.8 billion. The authorities responded by closing the credit institution and seizing its assets to compensate depositors. On March 12, 2023, the U.S. Federal Reserve, the Federal Deposit Insurance Corporation and the U.S. Treasury department guaranteed all of the bank's deposits. On the same day, a similar exemption was announced for New York-based Signature Bank after it was also shut down by its state licensing authority. The Deposit Insurance Fund and additional funding provided by the Federal Reserve are intended to secure depositors' claims. However, shareholders and certain unsecured debtors do not fall under the protection scheme.

As investors suspect that significant impairments will also have to be recorded on the balance sheets of other banks, investors around the world have exited bank shares. Nevertheless, the extent of any existing comparable risks for banks in Europe and Germany are not foreseeable at the moment. Whether the sharp rise in interest rates will harm the stability of the financial system remains to be seen, and the reaction of the central banks is unclear as well. In its meeting on March 16, 2023, the ECB's Governing Council decided to raise its key policy rate by another 50 basis points to 3.50%. On March 21/22, 2023, the Federal Reserve Board decided to raise the U.S. Federal Funds Rate by 25 basis points to 5.0%.

According to the projections of the German Institute for Economic Research (DIW Berlin), the German economy is expected to decline slightly in the first quarter of 2023 and then show increasingly positive growth rates from the second quarter onwards. For the year as a whole, however, the IMF expects an increase of just 0.1% in 2023 and 1.4% in the following year.

The mild winter weather slightly eased the energy crisis temporarily. As a result of the falling energy prices, the rate of inflation has not climbed any further at least, but still remains on a high level. According to the German Federal Statistical Office, prices for goods and services in January and February were up 8.7%, respectively, over the previous year. Energy prices in February 2023 rose 19.1% during the 12-month period. However, prices for energy sources in November 2022 were 31.1% higher than in the same month of the year before. According to the Statistical Office, the price increase was dampened in part due to the German government's third relief package.

As part of the first relief package introduced in February 2022, electricity customers were exempted, as of July 1, 2022, from the levy imposed under the German Renewable Energy Sources Act, subject to a maximum of 3.72 cents per kilowatt hour. The second relief package introduced in May 2022 included a reduction of fuel tax for a limited period of three months as well as the 9-euro ticket for local public transport introduced nationwide. Under the third relief package introduced in September 2022, value-added tax on gas and district heating for the period from October 1, 2022 to March 31, 2024 was reduced from 19% to 7%. This dampens price development if and to the extent that the tax cut is passed on by utilities to private consumers. In addition, advance or progress payments for energy and heat were paid by the German government on a one-time basis for the month of December 2022. However, only the emergency assistance for direct contracts with energy suppliers was included in the inflation calculation for December 2022.

In addition, since the beginning of 2023, the unit price per kilowatt hour for 80% of consumption has been "capped" at 12 cent for gas, 9.5 cent for district heating and 40 cent for electricity. The basic price is not affected by this cap. However, the price brake had only a limited effect in the first months. In some cases, prices even increased as utility companies raised unit prices that were below the price brake level. If, as planned, a ticket for local public transport applicable throughout Germany is introduced at a price of €49 per month, this will also have a dampening effect on inflation.

While the rise in energy prices was countered by government measures, food prices in particular rose at an above-average rate year-on-year, up 20.2% in January 2023 and 21.8% in February 2023, respectively, compared to twelve months earlier. By contrast, residential rents (excluding energy) rose nationwide by a moderate 2.0% in both January and February 2023 compared to the respective previous year's months. As inflation remains well above the target range of 2%, DIW Berlin expects further monetary tightening by the European Central Bank, which will probably dampen the economy in the current year.

According to DIW Berlin, the situation for the German economy remains gloomy for the time being. At the turn of the year, declining new orders in the industrial sector clouded the outlook for 2023, but the order books of companies in Germany remain solid. While high inflation had curbed private consumer spending in the 2022 Christmas season, consumer confidence has brightened somewhat since the beginning of the year, despite real wage losses, according to DIW Berlin. Nevertheless, price developments and global economic trends will weigh on the German economy in 2023. In January 2023, the DIW Berlin economic barometer rose further to 95.4 points, but fell by just under two points to 93.6 points in February. This means that the value for the first quarter of 2023 remains well below the neutral 100-point mark.

In its Annual Economic Report, the German government expects gross domestic product to increase slightly by 0.2% in 2023. In 2024, the economy is expected to grow by 1.8%. By contrast, following a technical recession in the winter half-year and a return to a flat growth path in the summer months, the state development bank KfW expects German GDP to decline by 0.3% in 2023 as a whole and to grow by 1.0% in 2024.

Factors causing uncertainty are several geopolitical tensions with possible global political and economic effects. These include, for example, the Ukraine conflict between Russia and NATO, the overlapping territorial claims in the South China Sea, and the tense relations between China and the USA concerning Taiwan, among others. The duration and the impact of the war in Ukraine on the real estate industry cannot yet be fully assessed, but the large number of refugees has led to an increase in the demand for housing. On the other hand, companies are forced to establish new, stable supply chains. High commodity prices are likely to remain the major driver for inflation.

According to KfW Research, the monthly inflation rate should have peaked as early as in the fall of 2022. Since then, market prices for energy have fallen and the price brakes for electricity, district heating and natural gas are now also taking effect. Nevertheless, the inflation rate will remain on a high level for the time being. This is mainly because goods along the upstream supply chain had become more expensive due to the dramatic increase in energy prices. These cost increases are now also affecting the downstream stages of production. As a result, future wage deals will also be driven by the significant price increases. In combination with the skilled labor shortage in various industries, wages and service prices will rise at an increased rate. This continues to exert high pressure on the core inflation rate (inflation excluding energy and food prices).

According to KfW Research, the loss of purchasing power due to inflation, higher interest rates and tighter financing conditions will weigh heavily on interest-sensitive private residential construction. In 2023, this segment could see what will probably be the biggest slump in around two decades in real terms. Stabilization is not expected to occur until 2024.

In view of the support provided by the energy transition projects, KfW Research generally expects corporate investment spending to grow. In addition, government investment spending is expected to rise substantially. Above all, the funds from the new special fund implemented to support German armed forces will lead to higher equipment investment by the German government. From summer 2023, however, gas will have to be stockpiled again for the coming winter, and as there is no more Russian gas available to fill the gas storage facilities, economic recovery could weaken in the second half of 2023.

4.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

In its current 15th coordinated population projection for Germany, the Federal Statistical Office assumes that the population will grow to 85 million by 2031 and then decline to 83 million by 2070, assuming a moderate development in birth rates and life expectancy and moderate net immigration of 290,000 people per year on average. If net immigration amounts to only 180,000 people per year, 75 million people would still be living in Germany in 2070. By contrast, if net migration remains at the high level of 400,000 people per year on average, Germany would have about 90 million inhabitants in 2070.

According to the calculations of the Federal Statistical Office, at least 20 million people in Germany will be older than 67 by the mid-2030s. Currently, 16.4 million people have reached retirement age. In the mid-2030s, 5.8 and 6.7 million people are expected to be older than 80 years. However, the number of very old people, which will have remained relatively stable until then, is set to increase massively from the mid-2030s. By contrast, the number of people of working age between 20 and 66 living in Germany is falling. Currently, this group comprises 51.4 million people; under the assumption of low net immigration, their number would fall by 4.8 million by the mid-2030s. Even in case of high net immigration, this number of people in this group would decrease by 1.6 million in the mid-2030s.

According to the Federal Statistical Office, population development will vary from region to region. In the city-states, the population is expected to grow, also with an increasing number of people of 67 years of age or older. Population is expected to remain flat for the western federal states, while the number of people older than 67 will increase at the same time. In the eastern German states, the shrinking potential labor force will be the greatest challenge.

That said, the number of households in Germany has been growing noticeably faster than the population. While the population increased by just under 4% between 1991 and 2018, the number of private households rose by 6.1 million, or 17%, to 41.4 million. According to the Federal Statistical Office, this trend will continue, but at a slower pace. According to the projections, there will be 42.6 million households in Germany in 2040. The trend of smaller households is continuing, but is weakening.

The reasons for this increase include the decline in marriages and births, increasing partnerships with separate dwellings, the continued aging of the population combined with improving physical conditions of older people who are able to live in their own household for a longer time, and increasing requirements with respect to occupational mobility, which are driving the trend of smaller households. Between 1991 and 2018, the share of one- and two-person households in the total number of private households increased from 64% to 76%. According to the trend variant of the 2020 projection for the number of households, the number of single-person households is expected to increase from 17.3 million to 19.3 million between 2018 and 2040, and the number of households with two persons is expected to increase from 14.0 million to 14.1 million. In contrast, the number of households with three or more members will fall from 10.1 million to 9.2 million.

4.2.3 DEVELOPMENT OF REAL ESTATE MARKETS

Activities on the German real estate markets in 2023 will largely be driven by interest rate levels. In view of the high inflation, the European Central Bank will continue to pursue a path of policy tightening until it sees a significant decline in inflation toward its two percent target. Rising financing costs generally lead to lower price levels for real estate investments. The prerequisites for interest rates to fall again are not fulfilled until the inflation rate approaches the target corridor. Only then can a new real estate cycle begin.

In its recent Real Estate Market Outlook 2023 for Germany, CBRE identifies three major challenges currently shaping the real estate investment market: diverging price expectations on the buyer and seller side, fears of a recession and tightening lending conditions. Higher financing costs and increased yields on alternative investments are increasing the pressure on real estate prices. CBRE expects the upward pressure on real estate yields to continue in the first half of 2023, although the momentum should tend to weaken somewhat. Since the overall financing costs are in some cases far above the current yield level, CBRE believes that it is difficult to justify real estate investments without a further price correction.

Given the current market conditions, investors are more interested in individual properties than in real estate portfolios. Apart from the more difficult financing conditions, the review and decision-making processes take significantly more time, especially for large-volume transactions.

Despite the economic headwinds, there are also numerous opportunities in the real estate market, according to CBRE. These include the implementation of ESG strategies by investors and users as well as the ongoing digital transformation in all sectors of the economy. Landlords of office properties must offer attractive solutions for hybrid working. Resource-saving construction will gain in importance, as will the conversion of existing properties into affordable housing to suit the target group.

CBRE does not expect the transaction market to pick up in the coming months as buyers and sellers continue to be in the process of aligning their price expectations. A new price level will probably have been found around mid-2023, resulting in the market gaining traction. For 2023 as a whole, CBRE expects a transaction volume of up to €55 billion, a good quarter of which could be attributable to the institutional housing sector.

Office market

Notwithstanding the discussions surrounding the topic of working from home, office properties continue to be the type of use most in demand among investors, according to CBRE. Above all, stable space take-up and further rising rents underline the attractiveness of this asset class. However, demand focuses on state-of-the-art properties with an efficient use of space and energy in central prime locations or existing properties with upside potential in terms of value regarding a manage-to-ESG strategy.

In the office segment, the largest price discounts are expected for value-add properties. CBRE has identified a significantly higher interest in opportunistic products. Investors are also increasingly looking at distressed assets and non-performing loans, although value-add and core investment strategies will be the main focus of German investors throughout 2023.

The German rental markets have to maintain their competitiveness in a challenging environment. Economic data available at the beginning of the year and the new inquiries for office space surveyed by CBRE point to a subdued development in demand for the first half of 2023. Nevertheless, CBRE does not expect a pronounced recession with strong declines in demand for office space, but anticipates take-up of just under 2.6 million sqm for 2023 as a whole, which would correspond to the level of the two previous years.

The importance of New Work and ESG are becoming more important to consumers, according to CBRE. In the current economic environment, users are primarily looking for cost efficiency as regards choice and design of office space. Employee satisfaction and productivity also remain high on the agenda against the backdrop of attracting and retaining qualified personnel. Hybrid ways of working can sometimes result in a drastic reduction in space requirements and tend to result in shorter lease terms. This makes good connections to local public transport all the more important. In addition, greater importance is being attached to ESG criteria, due to regulatory requirements and also in view of rising energy costs. Despite a difficult macroeconomic and geopolitical environment, 40% of German investors surveyed by CBRE are willing to pay a premium for ESG-compliant office space – in some cases even at a significant premium.

In view of the slowdown in new construction activity due to the interest rate trend, CBRE expects offered rents and finally agreed rents for the first-rate premises and projects with ESG sustainability certificates to rise sharply in some cases, while rents for older existing properties in less attractive locations will grow at a below-average rate or even fall in some cases. Consequently, the vacancy trend might decouple from office rents in 2023. According to forecasts by CBRE, prime rents will increase by an average of 2.6% p.a. in inflation-adjusted terms by the end of 2027.

Residential real estate market

The abrupt turnaround in interest rate policies had gradually slowed down the momentum of the German housing market in the course of 2022. According to CBRE, this trend should continue at least in the first half of 2023. For fixed-income investors in particular, residential real estate has become less attractive after years of being a higher-yielding alternative to fixed-rate government bonds.

In contrast, many portfolio holders have to refinance expiring loans. In order to offset increased interest expenses, CBRE expects listed housing companies in particular to streamline their portfolios and sell properties that no longer suit their strategy. Some of these sales have been realized in peripheral locations at price discounts that should not be underestimated. At the same time, international investors are becoming increasingly interested again in German residential real estate, due in part to the favorable exchange rate against the U.S. dollar, for example.

Overall, CBRE expects transaction activity to be lackluster in the first half of 2023 as both buyers and sellers await the decisions of the European Central Bank. When the inflation rate approaches the target path of 2% again, transaction activity should also pick up. At that point, large institutional investors should also increasingly return to the market as buyers. The focus could then also increasingly be on ESG-compliant quarters, but also on newly built quarters for micro-housing and student housing.

According to CBRE, in addition to rising interest rates, bottlenecks in the supply of building materials, the shortage of skilled workers on construction sites and increasing requirements to reduce CO_2 emissions of buildings have also weighed on the profitability of residential investments. In order to achieve the target of 400,000 newly built apartments per year, the ruling coalition had increased the straight-line depreciation rate to 3% per year and introduced a temporary accelerated depreciation rate of 4% for new rental housing construction. In addition, red tape is to be reduced by making it possible to submit building applications digitally everywhere in Germany by the end of 2023. There are also plans to reintroduce non-profit housing and to provide greater support for cooperative residential construction.

In the wake of declining new residential construction, particularly also for single- and two-family homes, and increased migration, demand-side pressure on the rental housing market will increase in the short and medium term. Rents should tend to rise as a result. Due to increased utility costs, especially for energy, the overall affordability of residential space is declining for all households whose income will not increase significantly. According to CBRE, the majority of people looking to move in the years ahead are planning to take rental accommodation. In this context, instead of moving to an expensive metropolis, many households are considering to move to well connected but less expensive regions in the environs.

4.3 OUTLOOK FOR THE GATEWAY GROUP

The forecast for GATEWAY is based on internal corporate planning which takes into account the current business development, and potential opportunities and risks. In addition, the forecast also includes the material macroeconomic conditions and the economic factors relevant to property companies. The forecast was prepared in line with the financial reporting principles applied in the consolidated financial statements.

As a result of the challenging market conditions and a significantly reduced transaction speed, primarily due to the changed interest rate environment, the Management Board expects EBIT adjusted to amount to €5–15 million and consolidated earnings before taxes (EBT) to range from €-10 million to €0 million for the fiscal year 2023. The main drivers for business development are planned future sales in the Residential Properties Development segment. The Management Board expects GDV to decline slightly due to the forecast sale transactions.

5. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM RELATING TO THE GROUP ACCOUNTING PROCESS

The Group's risk management is managed by a central Finance Department on the basis of guidelines approved by the management. This Finance Department identifies, assesses and manages financial risks in close cooperation with the Group's operating units or departments, respectively.

The risk management system provides for a continuous assessment and analysis of all risks relevant for GATEWAY to be able to respond to any potentially harmful risks in a timely and appropriate manner – this also includes the observation and evaluation of defined opportunities. As part of the Group risk management system, GATEWAY has set up an internal control system (ICS) with regard to proper and legally compliant accounting, in which the accounting process is accompanied by defined control measures. The member of GATEWAY's Management Board with responsibility for the ICS is responsible for the deployment and ongoing evaluation and development of the ICS. The Management Board thus bears overall responsibility for the design and implementation of the ICS, but at the same time has defined persons responsible for the process and control of its implementation in the Group, and clear roles have been assigned to all GATEWAY employees involved in the accounting process.

The accounting-related ICS was established with the aim of ensuring proper and legally compliant financial reporting in accordance with the financial reporting and compliance regulations applicable to the GATEWAY Group. In organizational terms, this is carried out for all Group divisions and companies included in the consolidated financial statements by the Group parent company, Gateway Real Estate AG. Individual accounts from the consolidated companies are reviewed by various employees of the Group parent company and included in Group financial reporting. The principle of separation of functions and the dual control principle are taken into account in all steps in this process.

After the financial statements have been prepared, the annual and consolidated financial statements together with the management report are submitted to the Audit Committee of the Supervisory Board. The Audit Committee is also continuously involved in the further development of the accounting-related ICS and the risk management system.

6. RISK REPORTING RELATING TO THE USE OF FINANCIAL INSTRUMENTS

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group's risk management is managed by a central Finance Department on the basis of guidelines approved by the management. This Finance Department identifies, assesses and manages financial risks in close cooperation with the Group's operating units or departments, respectively. The management issues written guidelines for overall risk management and for certain areas such as interest rate risks, default risks and liquidity management.

Financial risk management involves the management and limitation of financial risks arising from operating activities. It involves continuous, rolling liquidity controlling that is particularly focused on the avoidance of significant receivables defaults and assuring the financing needs of ongoing operations.

To limit the receivables default risk, ownership of sold properties is generally transferred to the buyer only after payment of the purchase price. Interest rate risks are not significant due to the predominantly short-term nature of borrowings.

We refer to our comments in Chapter 3 "Report on risks and opportunities" and Chapter 4 "Report on expected developments" as regards our assessment of the risks related to the coronavirus pandemic.

CAPITAL MANAGEMENT

The Group regularly reviews its capital structure in connection with the preparation of its annual and interim financial statements. Likewise, short- and medium-term capital requirements are managed through liquidity planning, at least monthly and on a rolling basis.

INTEREST RATE RISK

Risks arising from interest rate changes fundamentally exist for the Group in connection with taking out loans to finance the purchase of properties as well as in relation to project financings. A fixed interest rate for the future loan obligations was agreed upon in the majority of the loan contracts. Interest hedges to reduce the risk of interest rate changes have not yet been concluded to date.

DEFAULT RISK MANAGEMENT

Default risk is the risk of a loss for the Group if a contracting party does not fulfill its contractual obligations. The Group only enters into business relationships with creditworthy contracting parties and obtains collateral when appropriate to mitigate the risks of a loss from the non-fulfillment of obligations. The Group uses available financial information and its own commercial records to assess its customers. The Group's risk exposure is continuously monitored. Particular default risks that normally arise in significant receivables from sales of real estate and equity investments and in brokerage commissions owed by institutional investors are treated separately.

Trade receivables are owed by a large number of customers in different German federal states. They are usually individuals or business people who have rented or purchased the Group's real estate.

After an appropriate determination is made, trade receivables are derecognized when they are no longer recoverable. This is the case, for example, where the debtor fails to commit to a repayment plan with the Group.

OTHER FINANCIAL ASSETS

Other financial assets primarily consist of the disposals of shares in the year previous and the associated receivables under vendor notes. Material payments were already agreed in the fiscal year under review.

Other financial assets arisen in preceding years were derecognized in the previous fiscal year as a result of expected permanent impairment. We refer to Note 3.6.

Changes in the credit risk of loan receivables from third parties outside the Group are generally monitored and managed individually.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents are deposited in banks and financial institutions. The Group assumes that its cash and cash equivalents have a low risk of default due to the external ratings of the banks and financial institutions. Impairment losses in the category of cash and cash equivalents are insignificant for the Group.

LIQUIDITY RISK

The responsibility for liquidity risk management lies with the Management Board, which has developed an appropriate concept for meeting short-term, medium-term and long-term financing and liquidity requirements. GATEWAY relies on the granting of bank loans, bonds, or loans from affiliated companies to finance acquisitions of companies and properties as well as its ongoing operations.

The Group manages liquidity risks by maintaining appropriate reserves and credit facilities with banks and by continuously monitoring projected and actual cash flows and harmonizing the maturity profiles of financial assets and liabilities.

FINANCING RISK

GATEWAY relies on the granting of bank loans, bonds, or loans from affiliated companies to finance acquisitions of companies and properties as well as its ongoing operations.

Particularly within the scope of real estate financing, it is also necessary to renew or refinance expiring loans, some of which are granted only on a short-term basis and must be regularly renewed. In all cases, there is a risk that a renewal is not possible or not at the same or at different terms.

The market risk for the bank loans is relatively low since the existing loans are for the most part at a fixed interest rate or short-term.

7. DISCLOSURES AND EXPLANATIONS RELEVANT TO TAKEOVERS

The following disclosures pursuant to Sections 289a and 315a of the German Commercial Code (Handelsgesetzbuch; HGB) reflect the situation as it existed on the reporting date. The following explanation of these disclosures also complies with the requirements of an explanatory report pursuant to Section 176 (1) sent. 1 of the German Stock Corporation Act (Aktiengesetz; AktG).

COMPOSITION OF SUBSCRIBED CAPITAL

The subscribed capital (share capital) of Gateway Real Estate AG amounted to €186,764,040.00 as of December 31, 2022. It is divided into 186,764,040 no-par value bearer shares. The share capital has been fully paid up. The same rights and obligations are attached to all shares of the Company. Each share confers one vote and the same share in the profit. The rights and obligations arising from the shares are based on the applicable statutory provisions. As of December 31, 2022, the Company held no treasury shares.

DIRECT AND INDIRECT SHAREHOLDINGS IN THE CAPITAL EXCEEDING 10% OF THE VOTING RIGHTS

According to the most recent voting rights notification, Mr. Norbert Ketterer, Switzerland, holds a total of 94.72% of the voting rights of the Company.

It should be noted that the last reported number of voting rights may have changed in the meantime within the respective thresholds without any obligation to notify the Company.

SHARES GRANTING SPECIAL RIGHTS THAT CONFER CONTROLLING POWERS

There are no shares granting special rights that confer controlling powers.

NATURE OF CONTROL OF VOTING RIGHTS WHERE EMPLOYEES HOLD AN INTEREST IN THE CAPITAL AND DO NOT DIRECTLY EXERCISE THEIR CONTROL RIGHTS

There are no employee shareholdings in the Company's capital where the employees do not directly exercise their control rights themselves.

STATUTORY PROVISIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION ON THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and dismissal of members of the Management Board are governed by Sections 84 and 85 AktG and Section 7 of the Articles of Association. Pursuant to Section 7 (1) of the Articles of Association, the Management Board consists of at least one member. The Articles of Association do not contain any special provisions for the appointment and dismissal of individual or all members of the Management Board. The appointment and dismissal are the responsibility of the Supervisory Board. The latter appoints members of the Management Board for a maximum term of five years. Reappointments or a prolongation of the term of office are permissible, in each case, for a maximum of five years, subject to the provision in Section 84 (1) sent. 3 AktG.

Amendments to the Articles of Association are made in accordance with Sections 119 (1) no. 6, 179, 133 AktG and Sections 12 (2) and 16 (4) of the Articles of Association. The Articles of Association do not stipulate any further requirements for amendments to the Articles of Association. Unless stipulated otherwise by mandatory law, the resolutions of the General Meeting are adopted by simple majority of the votes cast and, if in addition to a majority of votes a majority of capital is required by statutory law, by a simple majority of the share capital represented for the adoption of the resolution. The Supervisory Board is authorized to make amendments to the Articles of Association which only concern their wording.

POWERS OF THE MANAGEMENT BOARD TO ISSUE SHARES

The powers of the Company's Management Board to issue shares are all based on corresponding authorization resolutions of the General Meeting, the material content of which is described below:

Authorized capital

The Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the Company until August 21, 2023, once or several times, by up to a maximum total amount of €67,914,196.00 through the issue of up to 67,914,196 new no-par value bearer shares of the Company against contributions in cash and/or in kind (Authorized Capital 2018/I). The new shares must generally be offered to the shareholders for subscription; they may also be subscribed by one or more credit institution(s) or one or more equivalent institutions with the obligation to offer them to the shareholders for subscription (indirect subscription right). However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in the following cases:

(aa) to the extent this is necessary to compensate for fractional amounts;

(bb) if the capital increase is made against cash contributions and the total pro-rata amount of the share capital represented by the new shares for which subscription rights are excluded does not exceed 10% of the share capital existing at the time this authorization becomes effective or is exercised and the issue price is not significantly lower, within the meaning of Sections 203 (1) and (2), 186 (3) sent. 4 AktG, than the stock market price of the shares of the same class and features already listed at the time the issue price is finally determined. This limit of 10% of the share capital is to be reduced by such portion of the share capital attributable to shares which during the term of this authorization are issued or disposed of subject to an exclusion of subscription rights in application, directly, accordingly or mutatis mutandis, of Section 186 (3) sent. 4 AktG. The limit of 10% of the share capital is also to be reduced by the pro-rata amount of the share capital attributable to shares issued to satisfy bonds with conversion or option rights or to fulfill conversion or option obligations arising from convertible and/or bonds with warrants issued during the term of this authorization subject to an exclusion of the shareholders' subscription rights in accordance with Sections 221 (4) sent. 2, 186 (3) sent. 4 AktG;

(cc) in the case of capital increases against contributions in kind, to grant shares for the purpose of acquiring real estate, real estate portfolios, companies, parts of companies or equity interests in companies, as well as to acquire other assets, including receivables;

The Management Board is authorized, with the approval of the Supervisory Board, to determine the content of the respective rights conferred by the shares, the other conditions of the share issue and the further details of the implementation of capital increases from the Authorized Capital 2018/i.

The Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the Company until August 20, 2024, once or several times, by up to a maximum total amount of €25,467,824.00 through the issue of up to 25,467,824 new no-par value bearer shares of the Company against contributions in cash and/or in kind (Authorized Capital 2019/i). The new shares must generally be offered to the shareholders for subscription; they may also be subscribed by one or more credit institution(s) or one or more equivalent institutions with the obligation to offer them to the shareholders for subscription (indirect subscription right). However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in the following cases:

aa) to the extent this is necessary to compensate for fractional amounts;

bb) if the capital increase is made against cash contributions and the total pro-rata amount of the share capital represented by the new shares for which subscription rights are excluded does not exceed 10% of the share capital existing at the time this authorization becomes effective or is exercised and the issue price is not significantly lower, within the meaning of Sections 203 (1) and (2), 186 (3) sent. 4 AktG, than the stock market price of the shares of the same class and features already listed at the time the issue price is finally determined. This limit of 10% of the share capital is to be reduced by such portion of the share capital attributable to shares which during the term of this authorization are issued or disposed of subject to an exclusion of subscription rights in application, directly, accordingly or mutatis mutandis, of Section 186 (3) sent. 4 AktG. The limit of 10% of the share capital is also to be reduced by the pro-rata amount of the share capital attributable to shares issued to satisfy bonds with conversion or option rights or to fulfill conversion or option obligations arising from convertible and/or bonds with warrants issued during the term of this authorization subject to an exclusion of the shareholders' subscription rights in accordance with Sections 221 (4) sent. 2, 186 (3) sent. 4 AktG;

cc) in the case of capital increases against contributions in kind, to grant shares for the purpose of acquiring real estate, real estate portfolios, companies, parts of companies or equity interests in companies, as well as to acquire other assets, including receivables;

dd) to the extent necessary to grant shares to the holders of bonds with warrants or convertible bonds of the Company or a Group company in the event of an offer directed to all shareholders or in the event of a capital increase with subscription rights to the extent that such holders would be entitled to a subscription right to shares of the Company after exercising the option or conversion right or fulfillment of the corresponding obligation.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the content of the respective rights conferred by the shares, the other conditions of the share issue and the further details of the implementation of capital increases from the Authorized Capital 2019/i.

Conditional capital
The share capital is conditionally increased by up to €93,382,020.00 by the issue of up to 93,382,020 new no-par value bearer shares with a proportionate amount of the share capital of €1.00 each (Conditional Capital 2019/i). The conditional capital increase serves to grant no-par value bearer shares to the holders or creditors of convertible bonds, bonds with warrants and/or participating bonds and/or profit participation rights (or combinations of these instruments) issued by the Company or its direct or indirect German or foreign majority holdings on the basis of the authorization resolved by the General Meeting on August 21, 2019 under Item 8 of the agenda and granting conversion or option rights for the subscription of no-par value bearer shares of the Company or stipulating a conversion obligation. The new no-par value bearer shares from Conditional Capital 2019/i may only be issued at a conversion or option price which complies with the requirements of the authorization resolved by the General Meeting on August 21, 2019 under Item 8 of the agenda. The conditional capital increase is to be implemented only to the extent that option or conversion rights are exercised, that bond holders or creditors obliged to conversion fulfill their conversion obligation and that offers of shares are made due to replacement rights of the Company, and only to the extent treasury shares or new shares from the use of an authorized capital are not used to satisfy such claims. The new no-par value bearer shares are entitled to profit participation starting from the beginning of the fiscal year in which they come into existence by virtue of the exercising of option or conversion rights or the fulfillment of conversion obligations or the exercising of sell-out rights. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

AUTHORIZATION TO ACQUIRE TREASURY SHARES

The Management Board is currently not authorized to acquire the Company's treasury shares on its behalf.

CHANGE-OF-CONTROL CLAUSES AND COMPENSATION AGREEMENTS IN CASE OF A TAKEOVER BID

Effective January 1, 2021, Tobias Meibom's agreement of employment as a Management Board member includes a change-of-control provision in case that one person (or more persons acting in concert) for the first time holds more than 50% of the shares of the Company, with (i) mere attributions due to acting in concert on the part of Mr. Norbert Ketterer and/or his relatives within the meaning of Section 15 of the German Tax Code (Abgabenordnung; AO) and/or companies related to them toward each other and/or with third parties as well as (ii) transfers between Mr. Norbert Ketterer and/or relatives within the meaning of Section 15 AO and/or companies related to them toward each other not being taken into consideration ("change of control"). In case of a change of control, Mr. Meibom may terminate the agreement of employment giving three months' notice to the end of the month and may resign from his office as Management Board member as of the corresponding date. In case Mr. Meibom exercises his termination option, he is entitled, subject to the limitation set out in the following sentence, to a severance payment in the amount of the remuneration entitlements for the original remaining term of the agreement of employment. The severance payment may not exceed the value of twice the annual remuneration. The severance is due within 14 days after the termination of the employment relationship and has to be paid on an account to be specified by Mr. Meibom.

GATEWAY's material financing agreements include the customary provisions applicable in the case of change of control regarding the borrower and/or the property to be financed.

Other than this, there are no material agreements with third parties or Group companies as of the reporting date that take effect, change or end in the event of a takeover bid.

CONSOLIDATED FINANCIAL STATEMENT OF GATEWAY REAL ESTATE AG

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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 2022 FISCAL YEAR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF GATEWAY REAL ESTATE AG

AS OF DECEMBER 31, 2022

ASSETS

in € thousand	Note	12/31/2022	12/31/2021
Non-current assets			
Intangible assets and goodwill	6.1	9,789	16,118
Property, plant and equipment	6.2	4	753
Investment properties	6.3	271,170	286,460
Investments accounted for using the equity method	6.4	0	11
Non-current trade receivables	6.6	142	247
Other non-current financial assets	6.6	5,946	24,541
Other non-current non-financial assets	6.6	2,234	2,374
Deferred tax assets	6.12	10,270	12,202
		299,555	**342,706**
Current assets			
Inventories	6.5	881,989	747,189
Trade receivables	6.6	1,916	418
Income tax receivables	6.19	2,140	3,813
Other financial assets	6.6	165,042	125,151
Other non-financial assets	6.6	71,957	70,079
Cash and cash equivalents	6.7	8,951	16,457
Non-current assets held for sale	6.8	0	43,800
		1,131,995	**1,006,907**
		1,431,550	**1,349,613**

EQUITY AND LIABILITIES

in € thousand	Note	12/31/2022	12/31/2021
Equity			
Subscribed capital	6.9	186,764	186,764
Reserves	6.9	–389,131	–389,131
Retained earnings	6.9	573,257	605,879
Non-controlling interests		8,159	7,273
		379,049	**410,785**
Non-current liabilities			
Non-current financial liabilities	6.10	383,841	186,658
Deferred tax liabilities	6.12	46,370	53,552
Other non-current financial liabilities	6.11	1,144	1,130
		431,355	**241,340**
Current liabilities			
Current financial liabilities	6.10	432,020	501,028
Income tax liabilities	6.19	5,824	5,851
Trade payables	6.11	154,466	162,565
Other financial liabilities	6.11	27,237	26,912
Other non-financial liabilities	6.11	1,599	1,132
		621,146	**697,488**
		1,431,550	**1,349,613**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2022

		2022			2021		
in € thousand	Note	Continuing operations	Discon-tinued operations	Total	Continuing operations	Discon-tinued operations	Total
Revenue	6.13	10,331	0	10,331	12,128	10,252	22,380
Changes in inventories of finished goods and work in progress	6.14	112,420	0	112,420	66,765	6,824	73,589
Other operating income	6.17	14,204	0	14,204	4,253	28,292	32,545
Gross profit		**136,955**	**0**	**136,955**	**83,146**	**45,368**	**128,514**
Raw materials and consumables used	6.15	–79,425	0	–79,425	–44,226	–12,563	–56,789
Employee benefits expense	6.16	–5,168	0	–5,168	–5,418	–1,677	–7,095
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale	6.3/6.8	–18,096	0	–18,096	67,688	0	67,688
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	6.1/6.2	–7,252	0	–7,252	–826	–35	–861
Other operating expenses	6.17	–8,634	0	–8,634	–9,505	–16,673	–26,178
Operating profit		**18,380**	**0**	**18,380**	**90,859**	**14,420**	**105,279**
Finance income	6.18	8,340	0	8,340	6,933	–105	6,828
Finance costs	6.18	60,599	0	60,599	–38,187	–3,856	–42,043
Other finance income/costs, net		–12	0	–12	92	0	92
Net finance costs		**–52,271**	**0**	**–52,271**	**–31,162**	**–3,961**	**–35,123**
Profit before tax		**–33,891**	**0**	**–33,891**	**59,697**	**10,459**	**70,156**
Income tax expense	6.19	2,224	0	2,224	–15,361	–94	–15,455
Profit/loss for the period		**–31,667**	**0**	**–31,667**	**44,336**	**10,365**	**54,701**
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income/loss for the period		**–31,667**	**0**	**–31,667**	**44,336**	**10,365**	**54,701**
Attributable to equity holders of the parent company	7.1	–32,622	0	–32,622	40,438	10,476	50,914
Attributable to non-controlling interests		955	0	955	3,898	–111	3,787
Earnings per share (basic)	7.1	–0.17	0	–0.17	0.22	0.05	0.27
Earnings per share (diluted)		–0.17	0	–0.17	0.22	0.05	0.27

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2022

in € thousand	Note	Equity attributable to equity holders of the parent company Subscribed capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of 01/01/2021		**186,764**	**–389,131**	**557,411**	**355,044**	**4,776**	**359,820**
Profit/loss	7.1	0	0	50,914	50,914	3,787	54,701
Change in the scope of consolidation/disposal of shares	6.9	0	0	–2,446	–2,446	–1,290	–3,736
Balance as of 01/01/2022		**186,764**	**–389,131**	**605,879**	**403,512**	**7,273**	**410,785**
Profit/loss	7.1	0	0	–32,622	–32,622	955	–31,667
Change in the scope of consolidation/disposal of shares	6.9	0	0	0	0	–69	–69
Balance as of 12/31/2022		**186,764**	**–389,131**	**573,257**	**370,890**	**8,160**	**379,049**

CONSOLIDATED SEGMENT REPORT OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2022

in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group 2022
Revenue from third parties (external revenue)	9,537	0	794	0	10,331
Intersegment revenue (internal revenue)	632	0	0	–632	0
Revenue	**10,169**	**0**	**794**	**–632**	**10,331**
Gross profit	**11,334**	**61,328**	**72,717**	**–8,424**	**136,955**
Segment result (operating profit)	**–31,226**	**10,237**	**47,199**	**–7,830**	**18,380**
thereof:					
Fair value changes of investment properties and valuation of properties held as inventory	–18,096	0	0	0	–18,096
Depreciation and amortization expense	–265	0	0	0	–265
Loss allowances	–6,987	0	0	0	–6,987
Profit or loss from investments accounted for using the equity method	0	0	0	0	0
EBIT adjusted	**–31,226**	**10,237**	**47,199**	**–7,829**	**18,380**
Finance income	18,419	0	708	–10,787	8,340
Finance costs	–13,642	–10,000	–47,744	10,787	–60,599
Income tax expense	4,904	91	–4,997	2,226	2,224
Segment assets	**684,933**	**243,783**	**754,098**	**–261,053**	**1,421,761**
Investments accounted for using the equity method	0	0	0	0	0
Additions to non-current assets	80	0	0	0	80
Segment liabilities	**362,614**	**242,450**	**694,422**	**–246,985**	**1,052,501**

Cf. Note 5

in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
					2021
Revenue from third parties (external revenue)	9,422	37	2,669	0	12,128
Intersegment revenue (internal revenue)	715	0	0	–715	0
Revenue	**10,137**	**37**	**2,669**	**–715**	**12,128**
Gross profit	**12,121**	**35,603**	**43,737**	**–8,315**	**83,146**
Segment result (operating profit)	**63,354**	**8,777**	**26,374**	**–7,646**	**90,859**
thereof:					
Fair value changes of investment properties and valuation of properties held as inventory	67,688	0	0	0	67,668
Depreciation and amortization expense	–826	0	0	0	–826
Profit or loss from investments accounted for using the equity method	0	0	0	0	0
EBIT adjusted	**63,354**	**8,777**	**26,374**	**–7,646**	**90,859**
Finance income	15,231	18	1,580	–9,896	6,933
Finance costs	–11,776	–8,440	–26,988	9,017	–38,187
Income tax expense	–15,812	–615	–1,516	2,582	–15,361
Segment assets	**703,083**	**179,000**	**683,906**	**–216,376**	**1,349,613**
Investments accounted for using the equity method	11	0	0	0	11
Additions to non-current assets	102,025	0	0	0	102,025
Segment liabilities	**359,183**	**177,995**	**609,651**	**–207,911**	**938,828**

In the previous year, Development Partner AG, including its subsidiaries, was sold and accounted for as a discontinued operation as of the reporting date. Since neither IFRS 8 nor IFRS 5 contains rules as regards the accounting for discontinued operations, they are not included in segment reporting. The values presented per line item in the column “Group” in connection with the statement of comprehensive income refer to the continuing operations.

CONSOLIDATED STATEMENT OF CASH FLOWS OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2022

in € thousand	Note	12/31/2022	12/31/2021
Cash flows from operating activities			
Total comprehensive income/loss for the period		–31,667	54,701
Adjustments for:			
Amortization of intangible assets	6.1	65	81
Depreciation of property, plant and equipment	6.2	274	780
Changes in fair value of investment properties and valuation of properties held as inventory	6.3	15,496	–62,407
Changes in fair value of non-current assets held for sale (properties)		2,600	–5,281
Distributions received from investments accounted for using the equity method		0	1,120
Impairment on trade receivables	3.6	284	–66
Other non-cash expenses/income		–9,207	8,267
Impairment losses		6,913	0
Tax expenses		–2,224	15,455
Profit or loss from the sale of property, plant and equipment		26	–4
Profit or loss from the sale of fully-consolidated subsidiaries		0	–27,954
Net finance costs		52,258	35,213
Changes in:			
Inventories		–124,710	–102,517
Trade receivables and other receivables		–1,675	–1,928
Other financial assets		–11,079	–2,372
Non-financial assets		5,415	–16,174
Trade payables and other payables		–12,132	14,467
Non-financial liabilities		467	–6,675
Changes in other financial liabilities		–1,068	17,892
Assets and liabilities held for sale		0	4,250
Interest paid		–24,057	–16,927
Income taxes received		2,280	138
Income taxes paid		–3,662	–1,249
Cash flows from operating activities		**–135,403**	**–91,190**
Cash flows from investing activities			
Cash inflows from the sale of non-current assets held for sale (properties)		41,200	0
Payments for investments in investment properties		–206	–10,534
Purchase of intangible assets		–83	–145
Purchase of property, plant and equipment		–107	–186
Purchase of other financial assets		0	–29,491
Payments for additions to consolidation group less cash and cash equivalents acquired		85	2,487
Sale of consolidated companies less cash and cash equivalents transferred		0	106,410
Cash outflows for investments in properties held for sale (IFRS 5)		0	–119
Cash flows from investing activities		**40,889**	**68,422**
Cash flows from financing activities			
Cash inflows from new (financial) loans		187,482	76,696
Payments for lease liabilities		–348	–431
Other equity-related measures		0	–1,500
Repayments of loans		–100,126	–86,090
Cash flows from financing activities		**87,008**	**–11,324**
Net change in cash and cash equivalents		–7,506	–34,092
Cash and cash equivalents as of 01/01		**16,457**	**50,549**
Cash and cash equivalents as of the end of the period	2.20	**8,951**	**16,457**

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS OF GATEWAY REAL ESTATE AG

1. REPORTING ENTITY

Gateway Real Estate AG (in the following also referred to as "GATEWAY," "Company" or "Group," in each case referring to the GATEWAY Group as a whole) is a listed developer of residential real estate and urban quarters in Germany, using resource-saving wood construction methods, with a market capitalization of around €758 million (as of December 30, 2022). Established in 2006, GATEWAY and its subsidiaries can look back on extensive expertise in the German real estate market. Including the secured pipeline, the gross development volume (GDV) currently (as of December 31, 2022) amounts to more than €6 billion.

GATEWAY, which is registered in the commercial register of the Frankfurt am Main local court under HRB 93304, has its registered office in Frankfurt am Main, Germany. The address of the principal place of business has been Hardenbergstraße 28a, 10623 Berlin, Germany, since 2021.

GATEWAY's shares have been listed on the Prime Standard of the Frankfurt Stock Exchange since they were admitted to trading on April 12, 2019. Therefore, GATEWAY is a publicly-traded company within the meaning of stock corporation and commercial law.

The consolidated financial statements were prepared by the Management Board as of April 27, 2023 and, subject to the Supervisory Board's approval, released for publication on April 27, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in preparing the present financial statements are described in the following.

2.1 GENERAL INFORMATION

The Company's consolidated financial statements as of December 31, 2022, were prepared in accordance with the International Financial Reporting Standards (IFRS, including the interpretations of the IFRS Interpretations Committee) applicable as of December 31, 2022, as they have been endorsed by the European Union. In addition, the requirements set out in Section 315e (1) of the German Commercial Code (Handelsgesetzbuch; HGB) were also complied with.

The requirements of IFRS were completely fulfilled and lead to the presentation of a true and fair view of the Group's financial position, cash flows and financial performance. The statement of comprehensive income is structured on the basis of the cost of sales method. In accordance with the accrual principle, expenses and income are attributed to the respective periods regardless of when they were paid or received.

The financial statements were prepared on the basis of historical cost, except for investment properties, non-current assets held for sale as well as equity investments and derivatives, all of which are measured at fair value.

The estimates and assumptions applied in the preparation of the financial statements according to IFRS influence the measurement of assets and liabilities and the disclosure of contingent assets and liabilities as of the respective reporting dates, as well as the amount of income and expenses in the reporting period. Although these assumptions and estimates were based on the best knowledge of the Company's management, based on current events and measures, actual results could ultimately differ from these estimates.

Unless otherwise indicated, amounts are always stated in thousands of euros (€ thousand). The presentation in thousands of euros may result in rounding differences, both in the tables presented in the notes to the financial statements and in the comparison of values in the notes to the financial statements with other elements of the financial statements.

2.2 FINANCIAL REPORTING STANDARDS

A. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS REQUIRED TO BE APPLIED FOR THE FIRST TIME IN THE REPORTING YEAR

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Standard	Content
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018–2020 Cycle
Amendments to IFRS 3	“Business Combinations”: Reference to the Conceptual Framework 2018
Amendments to IAS 37	“Provisions, Contingent Liabilities and Contingent Assets”: Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 16	“Property, Plant and Equipment”: Proceeds before Intended Use

The application of these newly applied financial reporting standards will have no material effects on the consolidated financial statements.

B. STANDARDS AND INTERPRETATIONS NOT APPLIED (ISSUED, BUT NOT YET REQUIRED TO BE APPLIED OR PARTLY NOT TO BE APPLIED IN THE EU)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued further standards and interpretations that are not yet required to be applied for the fiscal year 2022 or that have yet to be endorsed by the EU.

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Standard amendment	Content	Mandatory first-time application for fiscal years beginning on or after
Standards already endorsed by the EU, but not yet required to be applied		
IFRS 17	Insurance Contracts	01/01/2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	01/01/2023
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	01/01/2023
Amendments to IAS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023
Amendments to IFRS 17	Initial Application of IFRS 17	01/01/2023
Standards not yet endorsed by the EU and not yet required to be applied		
Amendments to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	01/01/2024
Amendments to IFRS 16	“Leases”: Lease Liability in a Sale and Leaseback	01/01/2024

It is intended to apply these standards when they are required to be applied for the first time. The effects of the standards already adopted by the EU, but not yet required to be applied, and of the amendments not yet adopted by the EU are currently being reviewed. However, the Company does not expect any material effects on the consolidated financial statements.

2.3 BASIS OF CONSOLIDATION

A. CONSOLIDATION PRINCIPLES

i. Acquisitions

Purchased subsidiaries are accounted for using the acquisition method in accordance with IFRS 3. The acquisition costs are equal to the fair value of the assets acquired, the equity instruments issued and the liabilities created or assumed at the acquisition date. Assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of acquisition costs over the Group's share of the net assets measured at fair value is recognized as goodwill. Any goodwill arising is tested for impairment either annually or if there are any indications of potential impairment (see Note 2.7) If the acquisition costs are lower than the fair value of the (proportional) net assets of the acquired subsidiary, the negative difference is recognized directly in the statement of comprehensive income. Transaction costs are expensed as incurred.

ii. Subsidiaries

All subsidiaries of GATEWAY are included in the consolidated financial statements to the extent they are not immaterial for the presentation of the Group's financial position, cash flows and financial performance. Subsidiaries are companies whose financing and operating policies can be controlled by the Group, directly or indirectly. Control is assumed when one company has the power to direct the key activities of the other company, rights to variable returns from the other company and has the ability to affect those returns through its power over the other company.

Subsidiaries are included in the consolidated financial statements by way of full consolidation from the date when the possibility of control has been transferred to the Group. They are deconsolidated from the date when the possibility of control no longer exists.

The accounting policies applied by subsidiaries were modified if necessary to ensure consistent accounting throughout the Group. This applies in particular to the application of principles for a recognition of revenues and gains over time where there is a sales contract for properties under development.

iii. Non-controlling interests

Non-controlling interests are initially measured at the acquisition date based on their corresponding share in the identifiable net assets of the acquired company.

The acquisition and sale of further interests in subsidiaries are recognized in equity as equity transactions in the form of payments to outside shareholders if they do not change the status of the subsidiary (so-called "acquisition without status change"). The resulting differences are offset against the as yet unutilized results.

iv. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary as well as any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in the statement of comprehensive income. Any retained share in the former subsidiary has to be measured at fair value at the time control is lost.

v. Investments accounted for using the equity method

Associates are those companies on which the Group can exercise significant influence, but is not able to control or jointly direct the Company's financial and business policies. Significant influence is presumed when GATEWAY is entitled to a share of voting rights of at least 20% or more directly or indirectly.

A joint venture is an arrangement under which the Group exercises joint control and holds rights to the net assets of the arrangement, instead of rights to its assets and obligations for its liabilities.

Shares in associates and joint ventures are carried by applying the equity method and recognized at their cost of purchase upon acquisition. Following initial recognition, the consolidated financial statements include the Group's share in the total comprehensive income of the investments accounted for using the equity method until the date on which the significant influence or joint control ceases to exist.

The Group's share of the profits or losses of associates is recognized in the income statement from the date of acquisition. The cumulative changes after acquisition are offset against the net carrying amount. If the Group's share of losses in a company consolidated on the basis of the equity method corresponds to or exceeds the Group's share in this company, including other unsecured receivables, the Group does not recognize any further losses unless it has entered into obligations for that company or has made payments for that company.

The accounting policies of companies that were consolidated on the basis of the equity method were modified when necessary to ensure uniform Group accounting methods. This applies in particular to the application of principles for a recognition of revenues and gains over time where there is a sales contract for properties under development. Where a company consolidated using the equity method has subinterests, inclusion takes place based on a preliminary consolidation to the extent possible based on available information. In addition, an impairment test is conducted on an annual basis. Please refer to Note 2.7 for more information on impairment tests.

vi. Transactions eliminated during consolidation

Intragroup receivables and payables and income and expenses are offset. Intragroup transactions, balances and profits on transactions between Group companies are eliminated. Unrealized profits on transactions between Group companies and companies consolidated on the basis of the equity method are eliminated in the amount of the proportional share of equity held in the associates. Unrealized losses are likewise eliminated, unless the transaction is indicative of an impairment of the transferred asset.

B. SCOPE OF CONSOLIDATION

GATEWAY's scope of consolidation in the reporting period 2022 includes Gateway Real Estate AG as well as 80 (previous year: 80) subsidiaries. A total of 76 (previous year: 76) companies have their registered office in Germany and 4 (previous year: 4) in other countries.

As of December 31, 2022, as in the previous year, one associate was included in the consolidated financial statements using the equity method.

Please refer to Note 6.4 for more details.

The reporting date for the subsidiaries included in the consolidated financial statements is the same as the reporting date of the parent company. In accordance with Section 264b HGB, the commercial partnerships included in the consolidated financial statements are exempt from the obligations for corporations to prepare, to have audited and to publish separate financial statements and a separate management report.

As in the previous year, one company of subordinate importance for the Group's financial position, cash flows and financial performance was not included in the consolidated financial statements for materiality reasons.

A detailed list of the Group's shareholdings is included in Note 7.7.

C. CHANGES IN THE SCOPE OF CONSOLIDATION

Acquisition of shares in Baufeld 23 GmbH

Based on a share purchase agreement dated July 8, 2021, benefits and obligations were transferred as of April 19, 2022 in relation to 89.9% of the shares in the company Baufeld 23 GmbH for a purchase price of €22,475, paid in cash. The company was consolidated for the first time as of June 30, 2022. Cash and cash equivalents of €106 thousand were assumed in the process. Moreover, major items transferred were inventories in the amount of €8,352 thousand and financial liabilities in the amount of €8,374 thousand.

Liquidation of Objekt Heinersdorf in Berlin GmbH

The liquidation of the company Objekt Heinersdorf in Berlin GmbH was completed upon the registration with the commercial register on January 20, 2022. The company was dissolved on January 20, 2022 and was then accrued to Gateway Residential GmbH.

2.4 FUNCTIONAL CURRENCY

GATEWAY prepares its consolidated financial statements in euro (€). Since the euro is the currency of the primary economic environment in which GATEWAY and its subsidiaries operate, the euro is their functional currency.

2.5 INTANGIBLE ASSETS

A. GOODWILL

Goodwill is calculated as the excess of acquisition costs of a company over the Group's share of the fair value of the net assets of the acquired company at the acquisition date, and is presented as an intangible asset. Goodwill represents the expected synergy effects of the business combination for the group of cash-generating units (CGU) to which the goodwill is attributed.

Goodwill is not amortized but is subjected to an annual impairment test in accordance with IAS 36. An impairment test is also conducted when events or circumstances occur that indicate that an impairment has occurred. Please refer to Note 2.7 "Impairment of non-financial assets" for more details on conducting impairment tests.

B. OTHER INTANGIBLE ASSETS

This category mainly comprises purchased and internally generated software. It is capitalized at acquisition costs and amortized on a straight-line basis over its useful life. The useful life of purchased and internally generated software is usually one to five years.

2.6 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is charged on a straight-line basis with due regard to the residual value and based on the following main useful lives:

- IT hardware: 3 to 5 years
- Leasehold improvements and office equipment: 5 to 23 years

The residual values and remaining economic useful lives are reviewed and when necessary adjusted at every reporting date. Subsequent acquisition or production costs are only capitalized if it is probable that future economic benefits will flow to the Company. All other repairs and maintenance are recognized as expenses in the statement of comprehensive income in the fiscal year in which they are incurred. If the carrying amount of an asset is higher than its estimated recoverable amount, the carrying amount is written down to the recoverable amount. Gains and losses on the disposal of property, plant and equipment are calculated by comparing the sale proceeds with the carrying amount plus directly allocable selling expenses, and are recognized within operating profit.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets with indefinite useful lives (e.g. goodwill) as well as assets that cannot be put into operation are tested for impairment whenever there is an indication of impairment, but at least once a year. Property plant and equipment and intangible assets that are subject to depreciation or amortization are tested for impairment as soon as events or indications suggest that their carrying amounts are possibly not recoverable.

To determine the potential need for an impairment, assets are aggregated to form cash-generating units (CGUs) at the lowest level for which cash flows that are largely independent of the cash flows from the Company's other activities can be identified. Goodwill acquired in a business combination is allocated to the CGUs or the groups of CGUs that are expected to derive a benefit from the synergies of the combination.

The recoverable amount of an asset or a CGU is the higher of the fair value of the asset less costs to sell and the discounted net cash flows from the continuing use of the asset (value in use). Initially, the Group generally determines the respective recoverable amount as value in use and then compares such value in use with the corresponding carrying amounts (including goodwill). The CGUs generally correspond to the individual projects or properties, respectively.

An impairment loss is recognized through profit or loss in the amount by which the carrying amount of an asset exceeds its recoverable amount – except for assets recorded at fair value and where the impairment loss would reduce the revaluation surplus.

The goodwill is tested by the Group for impairment once a year as of September 30 and whenever there is an indication of a potential impairment; the impairment test is conducted at the level of the groups of CGUs to which the goodwill was allocated. If the carrying amount of a group of CGUs, including its allocated goodwill, exceeds its recoverable amount, the difference has to be deducted as an impairment loss from the goodwill allocated to the group of CGUs. If the impairment of the group of CGUs exceeds the carrying amount of the allocated goodwill, this additional impairment has to be deducted on pro-rata basis from the carrying amounts of the other assets allocated to the respective group of CGUs. However, the carrying amount of an asset may not fall below its value in use, its fair value less costs to sell or zero.

The value in use as of September 30 used for the goodwill impairment test is determined by discounting the expected future cash flows from continuing use of the CGUs on the basis of a risk-adjusted interest rate. The future cash flows are determined based on the medium-term 5-year planning approved by the management as applicable as of the date when the impairment test is conducted. This planning is based on the expectations as regards future market shares, the general development of the relevant markets as well as the profitability of the projects and the project term. The rounded risk-adjusted interest rates, which were determined specifically for the respective group of CGUs and which are used for discounting the cash flows, are based on the weighted average cost of capital and amount to 4.93% (previous year: 4.35%) after taxes for the group of CGUs "Standing Assets" and 6.17% (previous year: 5.30%) after taxes for the group of CGUs "Residential Properties Development".

The determination is based on the capital asset pricing model, taking into account current market expectations. To determine risk-adjusted interest rates for impairment test purposes, specific peer group information regarding beta factors, capital structure data as well as the borrowing rate are used. In accordance with IFRS 13, the determination of the recoverable amount is allocated to hierarchy level 3 (see Note 3.3 Classes of financial instruments in accordance with IFRS 7) of the measurement categories used for fair value measurement. In addition, various sensitivity analyses are performed. These show that there is no requirement to record impairment losses even in case of unfavorable assumptions as regards key influencing factors with respect to the original planning.

If the value in use is lower than the carrying amount, the fair value less costs to sell is additionally ascertained in order to determine the recoverable amount.

Non-financial assets, excluding goodwill, that were affected by an impairment are tested for reversals of impairment losses as of each year-end. Any reversals of impairment losses may not exceed amortized cost. No reversals of impairment losses may be recorded for goodwill.

2.8 INVESTMENT PROPERTIES

Upon initial recognition, GATEWAY classifies real estate according to its intended use either as investment properties (either completed or under development), inventory properties or owner-occupied properties in the category of property, plant and equipment.

Investment properties are those properties of the Group that are neither owner-occupied nor intended for sale. In the case of mixed-use property, used by the owner and by third parties, the owner-occupied portion is reported separately in the statement of financial position if such separation is legally valid and the portion is not of an insignificant extent.

Reclassifications to (or from) investment property are only made if there is a change in use. In case of a reclassification of a property from investment property to owner-occupied property, such property is measured subsequently at fair value on the date of change in use. We refer to Note 6.3 for details on the procedure followed regarding the measurement of properties reclassified from inventories.

Properties that are meant to be held on a long-term basis, but do not meet the criteria for investment properties according to IAS 40 are presented within property, plant and equipment.

Properties developed by the Group itself and intended to be sold after completion are presented as inventory properties.

There are no sales activities related to investment properties. They are meant to be held and leased over the medium to long term or held for appreciation purposes.

Upon initial recognition, investment properties are measured at cost, including incidental expenses. In subsequent periods, they are measured at fair values which reflect the market conditions at the reporting date, taking into account the corresponding tax effects. Any profit or loss from a change in fair value is recognized through profit or loss. Subsequent costs for expanding and rebuilding the property are added to the carrying amount if they contribute to an increase in the fair value of the property.

As an additional assumption applied in measuring the value of investment properties, the best possible use of a property must be considered. Planned use changes are taken into account in the measurement of properties if such changes are technically feasible, legally permissible and financially practicable.

Real estate holdings are measured annually at December 31. The fair values of investment properties are measured on the basis of appraisals conducted by an independent, external expert applying recognized valuation methods. The independent experts engaged for this purpose possess the requisite professional qualifications and experience to conduct the appraisals. The appraisals are based on information provided by the company, including (for example) current rents, maintenance and administrative expenses, and the current vacancy rate, as well as assumptions of the expert appraiser, which are based on market data and evaluated on the basis of his professional qualifications. Such assumptions relate to (for example) future market rents, standardized maintenance and administrative expenses, structural vacancy rates and capitalization interest rates.

The information provided to the appraiser and the assumptions made, as well as the results of the real estate appraisal, are analyzed by the Company.

2.9 FINANCIAL ASSETS

In accordance with IAS 32 Financial Instruments: Presentation, a financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Upon initial recognition, financial assets are assigned to one of the following measurement categories:

- Financial assets measured at amortized cost (AmC);
- Financial assets measured at fair value through other comprehensive income (FVtOCI);
- Financial assets measured at fair value through profit or loss (FVtPL).

The classification depends on the Company's business model for managing financial assets and the contractual cash flows.

The Group measures its financial assets at amortized cost when both the following conditions are met, provided they are not designated as at fair value through profit or loss:

- The objective of the business model under which the financial asset is held is to collect contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets that belong within this valuation category consist of trade receivables, other financial assets, and cash and cash equivalents.

Financial assets measured at fair value through other comprehensive income include:

- Equity instruments that are not held for trading purposes and which the Group has irrevocably elected to assign to this category upon initial recognition.
- Debt instruments generating contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, when the objective of the business model under which the financial assets are held is both to collect the contractual cash flows and to sell the financial assets.

As in the comparative period, there were no such financial assets and debt instruments in the Group during the reporting period.

Assets that do not meet the criteria of the "amortized cost" category or the "FVtOCI" category are assigned to the "fair value through profit or loss" (FVtPL) category.

In both the reporting period and the comparative period, the Group's equity investments and its embedded separable derivatives are assigned to the category of "fair value through profit or loss" (FVtPL). The Group does not make use of the option to designate financial instruments as at fair value through profit or loss that would otherwise be measured at amortized cost or at fair value through other comprehensive income.

Financial assets are not reclassified after initial recognition unless the Group changes the business model for managing the financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change of business model. In both the reporting period and the comparative period, the Group did not reclassify any financial assets.

Embedded derivatives in structured contracts that include a host contract that represents a financial asset in accordance with IFRS 9 are not separated. Instead, the structured contract in its entirety is classified according to IFRS 9.

Embedded derivatives in structured contracts that include a host contract that represents either a financial liability or an asset that does not fall within the scope of IFRS 9 must be separated from the host contract under certain circumstances. This applies when:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined contract is not measured at fair value with changes in value recognized in profit or loss for the period.

Upon initial recognition, the Group measures a financial asset at fair value. In the case of a financial asset subsequently not measured at fair value through other comprehensive income, transaction costs that are directly allocable to the acquisition of the asset are added to the fair value. Transaction costs allocable to financial assets measured at fair value through profit or loss are recognized as expenses in the income statement. Trade receivables without a significant financing component are measured at the transaction price upon initial recognition.

Trade receivables and issued bonds are recognized from the time at which they are issued. All other financial assets and liabilities are recognized for the first time on the trade date if the Company is a party to the contract according to the contractual provisions of the instrument.

Financial assets carried at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange rate gains and losses, and impairments are recognized in profit or loss. Interest income is presented within net finance costs. Any profit or loss arising on derecognition is recognized in operating profit. Equity investments initially measured at FVtPL are measured at fair value in subsequent periods. Dividends are recognized as income in profit or loss.

The Group derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire or it transfers the rights to receive cash flows in a transaction in which substantially all the risks and rewards incidental to ownership of the financial asset are transferred. A financial asset is also derecognized when the Group neither transfers nor retains substantially all the risks and rewards incidental to ownership and does not retain control over the transferred asset.

Financial assets and liabilities are netted and presented as a net amount in the statement of financial position when the Group has a current, enforceable legal right to offset the recognized amounts and intends to either settle them on a net basis or to realize the asset and settle the corresponding liability simultaneously.

No financial assets and financial liabilities were netted on this basis in the reporting period and the comparative period. In addition, there are no global netting agreements or similar netting agreements within the Group.

2.10 IMPAIRMENT OF NON-DERIVATIVE FINANCIAL ASSETS

The Group assesses the recoverability of its financial assets measured at amortized cost as well as its contract assets on the basis of the expected credit loss model. The impairment method generally depends on whether a significant increase in the credit risk has occurred.

The loss allowances are measured by the Group in the amount of the lifetime expected credit losses, except for loss allowances for bank balances and other financial assets where the credit risk has not increased significantly since initial recognition or which are subject to low credit risk. The credit risk is considered low when the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and there are no indications that changes in economic and business conditions in the longer term and on a sustainable basis may reduce this ability. Accordingly, the loss allowances are measured in the amount of the 12-month credit loss.

The Group applies the simplified approach within the meaning of IFRS 9 for trade receivables. Accordingly, lifetime expected credit losses have to be recorded starting with the initial recognition of the receivables.

In determining whether the default risk of an asset has increased significantly in the time since initial recognition, and in estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and available without an unreasonable expenditure of time and costs. This includes both quantitative and qualitative information and analyses that are based on the Group's past experience and well-founded estimates, including forward-looking information.

In principle, the Group assumes that the default risk of a financial asset has increased significantly if it is past due for more than 30 days.

The Group considers a financial asset as defaulted when it is unlikely that the debtor can fully meet its loan obligations towards the Group without the debtor having to rely on measures such as the realization of collateral (if any), or when the financial asset is more than 90 days past due.

The Group estimates as of each reporting date whether the financial asset measured at amortized cost is credit-impaired. This is the case when one or more events with adverse effects on the expected future cash flows of the financial asset have occurred. Indicators that a financial asset is credit-impaired comprise, for example, the following observable data:

- breach of contract – i.e. more than 90 days past due or in default;
- severe financial difficulties of the debtor; or
- (impending) insolvency of the debtor.

Impairments of financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the group cannot reasonably expect that the financial asset can be recovered in full or in part. This is usually the case, amongst other things, when the debtor fails to commit to a repayment plan with the Group. The Group does not expect any significant recoveries of the written-off amount. However, written-off financial assets may be subject to enforcement measures to collect past-due receivables in order to act in accordance with the Group Guideline.

2.11 INVENTORIES

The Group's inventories still consist of the properties developed by the Group itself and are meant to be sold after completion. The development of residential properties, including for the Company's own portfolio, is essentially a focus of GATEWAY's business activities. In the Residential Properties Development segment, the Group's development activities are focused on selected metropolitan regions in Germany. In development projects, the development process usually begins with the purchase of the property and a subsequent lease termination phase before the construction phase begins.

In the Residential Properties Development segment, the Group develops residential buildings and urban quarters in Germany's top 9 cities (i.e. Berlin, Dresden, Cologne, Frankfurt am Main and in selected metropolitan regions).

In accordance with IAS 2, inventory properties are measured at the lower of amortized cost and the net realizable value in the statement of financial position. The production costs of property developments include the costs allocable to the development process and borrowing costs if they are incurred during the period of construction. All costs are capitalized in the item "Changes in inventories of finished goods and work in progress".

The acquisition costs for properties intended for sale include the purchase price of the properties and the directly allocable incidental expenses.

Net realizable value is the estimated selling price realizable in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. At the reporting date, the net realizable values of all inventory properties were higher than their amortized cost, so that no impairments needed to be recognized in the net realizable value.

The majority of current inventory properties will not be realized within the next 12 months, given the fact that property developments usually take several years to complete. However, the exact amount cannot be stated because it is uncertain in case of some inventory properties, especially in connection with forward sales, whether these will be carried out already in 2023 or later.

As a general rule, the sale of inventory properties is presented on a gross basis in the statement of comprehensive income. The disposal of the inventory property is recognized in the item "Changes in inventories of finished goods and work in progress" and the corresponding sale proceeds represent revenues.

If the intended use for a property changes, the property is reclassified. Please also refer to Note 6.3.

2.12 CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents are measured at amortized cost and comprise cash funds and demand deposits with banks.

2.13 FINANCIAL LIABILITIES

The Group's financial liabilities are generally measured at amortized cost. They only include liabilities from taking out loans and bonds, trade payables, and other financial liabilities. Upon initial recognition, these financial liabilities are measured at fair value, taking into account transaction costs. In subsequent periods, they are measured at amortized cost; any difference between the amount received (taking into account transaction costs) and the amount to be repaid is recognized in the statement of comprehensive income over the term of the liability by application of the effective interest method.

Only the liabilities of non-controlling shareholders are to be measured at fair value through profit or loss. Consequently, valuation adjustments of the limited partner's share of non-controlling shareholders or the financial liability recognized in that respect have to be recognized in profit or loss.

Fees for the creation of credit facilities are recognized as transaction costs to the extent that it is probable that part or all of the credit facility will be utilized. In this case, an accrual is recognized in respect of the fee until the credit facility is utilized. In the absence of indications that the utilization of part or all of the credit facility is probable, the fee is capitalized as an advance payment for financial services and amortized over the term of the facility.

When financial liabilities are acquired, they are checked for embedded derivatives that need to be separated. In the context of GATEWAY, these are particularly termination options embedded in bonds or loan agreements in connection with minimum interest. If there is an embedded derivative that is required to be separated, the embedded termination rights are separated at initial recognition from the basic debt component and recognized in equity and a derivative asset or derivative liability is recognized at the same time. The derivative financial instruments separated from the host contract have to be allocated to the FVtPL category and have to be measured subsequently at fair value through profit or loss. Embedded derivatives are measured using option pricing models that are accepted as financial calculation methods.

Financial liabilities are derecognized as soon as the contractual obligation is discharged, canceled, or expired. Moreover, the Group derecognizes a financial liability when the contractual terms are modified and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognized at fair value based on the modified terms. The difference between the carrying amount of the derecognized financial liability and the consideration paid, including transferred non-cash assets or liabilities, is recognized in the statement of profit or loss as other income or finance costs.

Financial liabilities are classified as current if the Group does not have an unconditional right to defer settlement of the liability to a date at least 12 months after the reporting date.

2.14 BORROWING COSTS

As a general rule, borrowing costs that can be attributed directly to the acquisition, construction, or production of a qualifying asset are part of the acquisition or production costs of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. A period of time longer than 12 months is deemed to be a substantial period of time. If it is probable that the qualifying asset will generate future economic benefits and the costs can be reliably measured, borrowing costs are capitalized as part of acquisition and production costs. Investment income from the temporary interim investment of borrowed funds that were specifically borrowed for the acquisition or production of a qualifying asset is deducted from the potentially capitalizable borrowing costs for this qualifying asset. In the case of property inventories under development, interest incurred during construction is capitalized on the basis of the actual interest incurred. The capitalization is recorded as a change in inventories and thus has a positive effect on EBIT adjusted.

Borrowing costs of €42,705 thousand (previous year: €31,214 thousand) were capitalized as changes in inventory in the reporting period. As in the previous year, borrowing costs incurred in the year under review were directly attributable to production and could be capitalized accordingly.

2.15 DEFERRED AND CURRENT INCOME TAXES

Current and deferred income taxes are recognized and measured in accordance with IAS 12.

CURRENT TAXES

Current income tax assets and liabilities are measured at the expected amount of a refund from or a payment to the tax authorities. The amount is calculated on the basis of the tax rates and laws applicable at the reporting date. Current income tax assets and liabilities are netted under the conditions set out in IAS 12.71.

DEFERRED TAXES

Deferred tax receivables and liabilities are recognized to account for the future tax effects resulting from temporary differences between the IFRS carrying amounts of assets and liabilities and the corresponding tax bases, or resulting from yet unused tax loss carry-forwards and tax credits. Deferred tax assets and liabilities are generally recognized in profit or loss. However, to the extent that they relate to transactions that are recognized directly in equity, the corresponding deferred taxes are also recognized directly in equity.

They are measured at the tax rates that are expected to apply in the reporting period in which the corresponding asset will be recovered or the corresponding liability settled. The effect of tax rate changes on deferred taxes is recognized in net income tax in the period in which the change was enacted by the legislator.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the tax loss carryforwards, tax credits, or tax-deductible temporary differences can be utilized (IAS 12.24 and 12.34). Deferred tax assets and liabilities are offset when there is an enforceable right to offset current tax assets and liabilities and if the deferred tax assets and liabilities are income taxes assessed by the same tax authority on the same taxpayer.

2.16 REVENUE RECOGNITION

IFRS 15 (Revenue from Contracts with Customers) establishes a comprehensive framework for determining whether, in what amount, and at what time revenues are to be recognized.

In accordance with IFRS 15, revenue is measured on the basis of the consideration specified in a contract with a customer. The amount of revenue to be recognized and at what time or over what time period is determined on the basis of a 5-step model. The basic principle of the five-step model is to recognize revenues in a form that reflects the transfer of goods or services to a customer. The amount of revenue to be recognized corresponds to the consideration to which the Group is contractually entitled in exchange for these goods or services.

IFRS 15 defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. Contracts may be concluded in writing, orally, or implicitly on the basis of a company's customary business practices. Contracts must be combined under certain circumstances. In the second step, the Group identifies the individual performance obligations. Generally speaking, a commitment is always deemed to be a performance obligation when the good or service is distinct. In the third step, the transaction price is determined, which represents the consideration for the transfer of goods or services. The transaction price of the contracts analyzed may include variable components. In the past, this referred to, on the one hand, contractually agreed purchase price reductions for construction projects. On the other hand, incidental cost statements are of a variable nature and were determined on the basis of the expected value method. The expected value is continuously reviewed and corrected.

The time period between the transfer of the good or asset to the customer and the payment by the customer is usually not more than one year. Therefore, the promised consideration is not adjusted to match the time value of money. In step four, the consideration is allocated to the identified performance obligations on the basis of stand-alone selling prices. A suitable evidence of the stand-alone selling price is the price at which the Group has actually sold the good or service individually to comparable customers under similar circumstances. If the stand-alone selling price is not reliably observable and therefore cannot be determined, the Group applies the expected cost plus a margin approach in accordance with IFRS 15.79(b) to determine the stand-alone selling price.

Revenues are recognized at a point in time or over time according to when the existing performance obligations are satisfied. The Group recognizes revenues over time provided the requirements for a transfer of control over time in accordance with IFRS 15.35 (a)–(c) are met. If the performance obligation is not satisfied over time, then the Group satisfies its performance obligation on a particular date. A performance obligation is satisfied by transferring control over the good or service. In this context, control is understood to mean the ability to direct the use of the good or service and obtain substantially all the benefits from it.

Revenues from sales of project or investment properties are recognized as revenues at the date when control is transferred to the buyer. This normally occurs upon the transfer of possession, benefits, obligations and risks of the properties. Income from sales of inventory properties (project developments or properties intended for immediate resale) is presented as revenues. By contrast, gains or losses (net balance of sale proceeds minus the carrying amount derecognized) from sales of investment properties are presented as other operating income or expenses. Recognized revenues are equal to the contractually agreed transaction price. The consideration is usually payable after the transfer of the investment property.

If a binding purchase agreement is already concluded prior to the completion of the development phase of a property (forward sale), revenue is recognized depending on when the performance obligations are satisfied. In connection with the plot of land to be transferred, revenue is recognized at a point in time, i.e. when control is transferred to the acquirer, in case separate performance obligations have been identified. A precondition for this accounting treatment is that the buyer no longer has a substantive right of rescission after the conclusion of the purchase agreement. In connection with project development/the construction project, revenue is recognized over time based on the determined percentage of completion. This is ascertained based on the basis of the ratio of construction costs incurred to the estimated total costs (cost-to-cost method). The supervision of construction projects established and performed within the Group allows for the actual costs incurred as well as the estimated total costs of the project to be estimated and allocated as precisely as possible. The transaction price underlying the contractual relationship – after taking into account variable components, if applicable – is allocated to the identified performance obligations based on the relation of the stand-alone selling prices to the estimated total costs.

Revenues from rental contracts are recognized on an accrual basis in accordance with the provisions of the underlying contracts. The transaction price is defined in the underlying rental contracts and does not include any variable consideration or financing components. Rents are to be paid on a monthly basis. Rental income is presented within revenues. In contrast to the revenues from operating costs (non-lease component), the contractual component of net basic rent as a lease is not subject to the scope of IFRS 15. Moreover, revenues from unbilled operating costs are recognized over time in accordance with IFRS 15.35(a) as the benefit from the service flows to the tenant simultaneously with the provision of the service by the landlord. In accordance with IFRS 15, revenues from the billing of incidental costs are presented on a gross basis because GATEWAY does not bear primary responsibility for the original performance obligation and acts as a principal.

GATEWAY also provides services in the form of management services agreements. The service essentially comprises the commercial execution and commercial management of construction projects, particularly including the planning, development and rental of project properties. The management services agreements specify various milestones by which the degree of completion is measured. Upon reaching a contractually agreed milestone, the Group transfers control over the construction section and acquires an unconditional claim to payment of consideration. The transaction price does not include any variable price components and the period of time between the provision of the service and the payment of the consideration is less than one year. Revenues from service agreements are recognized over time because the customer obtains the benefits of the service while it is being provided. This assessment is based on the fact that another company would essentially not need to provide this previous service again if this other company were to satisfy the remaining performance obligations to the customer. The percentage of completion is measured using the output method and is based on milestones and the corresponding fees, so that it presents a true and fair view of the transfer of control.

The Company recognizes interest income pro rata temporis with due regard to the remaining principal and the effective interest rate over the remaining term to maturity.

The guarantees and warranties contained in the contractual relationships do not constitute a separate performance obligation since they simply assure the customer that the supplied good or service corresponds to the contractually agreed specifications (assurance-type warranty). There are no return, reimbursement or other obligations.

In accordance with IFRS 15, GATEWAY is required to recognize a contractual asset if it has provided project development services that have not yet been invoiced to the customer. The Group is required to recognize a contractual liability if the customer fulfills its contractual obligation before the Group transfers control over the good or service.

To the extent that the Group has provided invoiced the service, the GATEWAY's unconditional right to the consideration payable is reported as a receivable.

2.17 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Obligations under short-term employee benefits are recognized as expenses as soon as the corresponding employee service is rendered. A liability is recognized for an amount that is expected to be paid when the Group currently has a legal or constructive obligation to pay this amount in respect of service rendered by the employee and when the obligation can be estimated reliably. Liabilities for wages and salaries, including non-monetary benefits for annual vacation and accumulated sick days that are expected to be paid in full within 12 months of the end of the fiscal year in which the employee provided the services, are recognized at the end of the reporting period and measured at the amounts that are expected to be necessary to settle the obligation.

TERMINATION BENEFITS

Termination benefits are recognized as expenses at the earlier of the following two dates: When the Group can no longer withdraw the offer of such benefits, or when the Group recognizes expenses for a restructuring. If it cannot be expected that the benefits will be completely paid within 12 months of the reporting period, they are discounted to present value.

2.18 LEASES

At contract inception, GATEWAY assesses whether the contract is or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control an identified asset, GATEWAY uses the definition of a lease in accordance with IFRS 16.

a) As lessee
On the commencement date or in case of a modification of a contract that contains a lease, GATEWAY allocates the contractually agreed consideration based on the relative stand-alone selling prices.

As lessee, GATEWAY recognizes an asset for the granted right of use as well as a lease liability on the commencement date. The right-of-use asset is measured upon initial recognition at cost which corresponds to the initial measurement of the lease liability, adjusted by payments made at or before the commencement date, plus any initial direct costs as well as the estimated costs to be incurred in dismantling and removing the underlying asset or to restore the site on which it is located, less any lease incentives received.

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the commencement date until the end of the lease term. There are exemptions for rental contracts if the ownership in the underlying asset is transferred to the Group at the end of the lease term or if it is probable that a purchase option is exercised. In this case, the right-of-use asset is depreciated over the useful life of the underlying asset, with the useful life being determined on the basis of the provisions for property, plant and equipment. In addition, the right-of-use asset is constantly reduced, if necessary, by any potential impairment losses and adjusted by certain remeasurements of the lease liability.

Upon initial recognition, the lease liability is recognized using the present value of the lease payments not yet made as of the commencement date, discounted by the interest rate implicit in the lease or, when such rate cannot be readily determined, by the Group incremental borrowing rate. As a rule, GATEWAY uses its incremental borrowing rate as the discount rate. This incremental borrowing rate is derived as a risk-adjusted interest rate that is specific for the respective maturity and currency. The difference as regards the various payment schedules of the reference interest rates (final maturity) and the lease agreements (annuity) is taken into account by way of a duration adjustment.

The lease liability is measured based on the amortized carrying amount using the effective interest method. It is remeasured when there is a change in future lease payments resulting from a change in an index or a rate, when GATEWAY adjusts its estimate of the expected payments within the context of a residual value guarantee, when the Group changes its assessment of the exercise of any purchase, extension or termination options, or when there is a change in an in-substance fixed payment.

In case of such a remeasurement of the lease liability, a corresponding adjustment of the carrying amount of the right-of-use asset is made or is recognized through profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

GATEWAY reports the right-of-use assets that do not meet the definition of an investment property in the statement of financial position under property, plant and equipment, and the lease liabilities are reported under other financial liabilities.

In addition, GATEWAY decided not to recognize right-of-use assets and lease liabilities for leases for assets with a value of less than €4,500 as well as for short-term leases. The Group recognizes the lease payments in connection with these leases as an expense on a straight-line basis over the lease term.

b) As lessor
If GATEWAY acts as the lessor, it classifies each lease upon contract inception either as a finance lease or as an operating lease. For the purposes of classifying each lease, GATEWAY has made an overall assessment whether the lease transfers substantially all of the risks and rewards incidental to ownership of an underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. In making this assessment, the Group takes into account certain indicators such as whether the lease comprises the major part of the economic useful life of the asset.

GATEWAY acts as the lessor within the context of properties held as inventory properties and investment properties. In case of the inventory properties, this refers to the lease termination phase. The lease agreements represent operating leases and the underlying lease agreements are recognized by the Group over the lease term as income in revenue.

2.19 RESIDUAL CLAIMS AND DIVIDEND PAYMENTS

The Group holds shares in companies in which non-controlling shareholders also hold a stake (Gateway Vierte GmbH, Gateway Fünfte GmbH, Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH and Storkower Straße 142–146 PE GmbH). For these company forms, the non-controlling interests must be recognized as a liability based on the existing termination rights.

Non-controlling interests are measured at fair value through profit or loss. Consequently, valuation adjustments of the share of non-controlling interests or the financial liability recognized in that respect are to be recognized in profit or loss.

2.20 CASH FLOW STATEMENT

The cash flow statement shows the origin and use of cash flows. A distinction is made between operating, investment and financing activities. The cash and cash equivalents recognized as of the reporting date consist of cash in hand and at bank.

The **cash flows from operating activities** are derived indirectly, starting from total comprehensive income for the period.

Other non-cash expenses and income, as reported in the reconciliation of total comprehensive income for the period to the cash flows from operating activities, largely resulted from non-cash changes of other financial assets and inventories. In the previous year, these were reported due to the planned sale of shares in three commercial properties development projects in Berlin (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH and Storkower Straße 142–146 PE GmbH), which eventually was not completed in the previous year. The related as yet non-cash contractual penalty in the amount of €16,000 thousand is included in the changes in other financial liabilities.

In the previous year, a non-cash amount of €10,319 thousand was offset between the line items “Other financial assets” and “Other financial liabilities”.

The **cash flows from investing and financing activities** are calculated on the basis of actual payments.

Changes in financial liabilities are reconciled with the cash flows from financing activities as follows:

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FINANCIAL LIABILITIES

in € thousand	2022	2021
Balance as of January 1	**687,686**	**605,994**
Cash inflows from additions to financial liabilities	187,482	76,697
Repayments of financial liabilities	–100,126	–86,090
Total change in cash flows from financing activities	**87,356**	**–9,393**
Changes from the acquisition or loss of subsidiaries, other businesses or net assets that do not represent a business	0	21,464
Reclassification of trade payables	0	53,881
Finance costs	56,627	42,043
Interest paid	–24,057	–16,927
Miscellaneous changes	8,249	–9,376
Total other changes	**40,819**	**15,740**
Balance as of December 31	**815,861**	**687,686**

2.21 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale or held for distribution when it is highly probable that they will be recovered mainly through sale or distribution and not through continued use.

In general, these assets or the disposal group is measured at the lower of their carrying amount or fair value less costs to sell. Any impairment of a disposal group is initially attributed to goodwill and then to the remaining assets and liabilities on a pro-rata basis – with the exception that no loss is attributed to inventories, financial assets, deferred tax assets, assets related to employee benefits, or investment properties that are still measured in accordance with the Group's other financial reporting methods. Impairment losses recognized upon the initial classification as held for sale or held for distribution and subsequent gains and losses upon revaluation are recognized in profit or loss.

Once classified as held for sale or held for distribution, intangible assets and property, plant and equipment are no longer subjected to amortization and depreciation, and every investee accounted for by the equity method is no longer accounted for by the equity method.

The special measurement rules pursuant to IFRS 5 for the date of reclassification and subsequent measurement do not apply to properties that had previously been presented within the item of "Investment properties". In these cases, the measurement rules of IAS 40 continue to apply. To this extent, only the rules applicable to the reclassification to the item "Non-current assets held for sale" apply. As a general rule, such properties are reclassified when there is a sale contract for the property or the corresponding company at the reporting date or the sale of the property within the next 12 months is highly probable (economically reasonable and objectively practicable). Please refer to Note 2.8 for more information on measurement rules.

2.22 DISCONTINUED OPERATION

A discontinued operation is a component of the Group's business whose operations and cash flows can be clearly distinguished from the rest of the Group and that

— represents a separate major line of business or geographical area of operations

— is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or

— is a subsidiary acquired exclusively with a view to resale.

A business is classified as a discontinued operation upon disposal or, if earlier, once the criteria for a classification as held for sale are met.

When a business is classified as a discontinued operation, the statement of comprehensive income of the comparative year is adjusted as if the business had been sold at the beginning of the comparative year.

In accordance with usual practice applied for consolidation, intragroup income recorded at the business operation providing the service and the related internal expenses of the receiving business operation is eliminated and allocated to the appropriate business operation.

In the previous year, the sale of the shares in Development Partner AG, including its subsidiaries, being a material, separate business segment, met the criteria set out in IFRS 5 for classification as a discontinued operation. The criteria were fulfilled especially due to the sale that was planned and closed in the year under review.

The following overview shows the effects of the discontinued operation on the previous year's figures:

Disposed assets and liabilities of the discontinued operation in 2021

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in € million	
Intangible assets	24.3
Property, plant and equipment	2.0
Investments accounted for using the equity method	7.1
Deferred tax assets	2.7
Inventories	445.7
Trade receivables	2.9
Income tax receivables	0.1
Other financial and non-financial assets	28.9
Cash and cash equivalents	20.9
Assets of the disposal group as of the deconsolidation date	**534.6**
Other provisions	0.4
Financial liabilities	281.8
Deferred tax liabilities	10.7
Other financial and non-financial liabilities	24.0
Income tax liabilities	4.2
Trade payables	12.5
Liabilities of the disposal group as of the deconsolidation date	**333.6**
Net assets as of the deconsolidation date	**201.0**

Upon the closing of the transaction on March 16, 2021, the assets and liabilities of the discontinued operation were disposed.

Net gain from the sale of the discontinued operation: The purchase price for the shares of Development Partner AG amounts to €101.0 million, less a purchase price reduction of €6.3 million. In addition, receivables in the amount of €134.4 million remained within the Group and have to be repaid by no later than December 31, 2023.

As the necessary shareholder approval could not be obtained, three development projects for commercial properties in Berlin remain in GATEWAY's ownership and will be sold over time. Contractual penalties of €16.0 million were incurred in this context.

The acquirers of the interests are, in equal parts, IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG, which is a company controlled by Yannick Patrick Heller. In accordance with IAS 24, Mr. Keller can be considered a related party of a Supervisory Board member. Please also refer to Note 7.3.

The Group received cash funds from this transaction in the amount of €127.9 million during the previous year. No further cash inflows were recorded in the year under review.

Based on the purchase price of €94.7 million and the net assets disposed of as of March 16, 2021, in the amount of €201.0 million (including goodwill of €24.0 million) plus receivables remaining within the Group of €134.4 million, the resulting deconsolidation gain (excluding transaction costs of €0.3 million) amounted to €28.1 million in the previous year. This deconsolidation gain in the previous year was solely attributable to shareholders of Gateway Real Estate AG since there are no non-controlling interests in the selling companies. It is generated by the discontinued operation presented in other operating income of the discontinued operation.

The disposal of the shares in Development Partner GmbH, Duesseldorf, in the previous year was tax-exempt in Germany. Therefore, the net deconsolidation gain is not subject to income tax for the Group.

Cash outflows/inflows from the discontinued operation:

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in € thousand	01/01–12/31/2022	01/01–12/31/2021
Cash outflows from operating activities	0	–2,533
Cash outflows from investing activities	0	–147
Cash inflows from financing activities	0	–382
Net cash outflow from discontinued operation	**0**	**–3,062**

3. ADDITIONAL DISCLOSURES CONCERNING FINANCIAL INSTRUMENTS

3.1 PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group's risk management is managed by a central Finance Department on the basis of guidelines approved by the management. This Finance Department identifies, assesses and manages financial risks in close cooperation with the Group's operating units or departments, respectively. The management issues written guidelines for overall risk management and for certain areas such as interest rate risks, default risks and liquidity management.

Financial risk management involves the management and limitation of financial risks arising from operating activities. It involves continuous, rolling liquidity controlling that is particularly focused on the avoidance of significant receivables defaults and assuring the financing needs of ongoing operations.

To limit the receivables default risk, ownership of sold properties is generally transferred to the buyer only after payment of the purchase price. Interest rate risks result from variable-interest loans and generally in case of loan extensions. Quantitative information related to receivables default risk is provided in the later sub-section “Default risk management”.

Quantitative information related to financing and liquidity risk is provided primarily in the later sub-sections “Liquidity risk” and “Financing risk”.

3.2 CAPITAL MANAGEMENT

The Group regularly reviews its capital structure in connection with ensuring its debt servicing capability, operating liquidity as well as the compliance of regulatory requirements within the context of the preparation of annual and interim financial statements. Adjustments to the capital structure may be implemented through capital increases or changes to the financing. In this context, we always take into account business risks when adjusting our capital structure. In doing so, the Group seeks to ensure the adequacy of the adjustments against the background of the specific business risk.

As a listed corporation, the Group is subject to the minimum requirements applicable to stock corporations.

The equity ratio at the end of the year is presented in the table below:

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EQUITY RATIO

in € thousand	2022	2021
Equity	379,049	410,785
Total assets	1,431,550	1,349,613
Equity ratio (in %)	**26.5**	**30.4**

3.3 CLASSES OF FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

In the following tables, the carrying amounts of the financial instruments are reconciled to the IFRS 9 measurement categories and the fair values of the financial instruments are disclosed.

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FINANCIAL ASSETS

	Carrying amount in € thousand			Fair value in € thousand	Level of fair value hierarchy
					12/31/2022
	Mandatorily at FVtPL	Financial assets – AmC	Financial liabilities – AmC		
Financial assets measured at fair value					
Equity investments	2,582	0	0	2,582	3
Total	**2,582**	**0**	**0**	**2,582**	
Financial assets not measured at fair value					
Trade receivables	0	2,057	0	2,057	
Other receivables	0	6,268	0	6,268	
Contract assets	0	1,068	0	1,068	
Loans	0	160,910	0	160,910	
Security deposits for leased office space	0	135	0	135	
Cash and cash equivalents	0	8,951	0	8,951	
Total	**0**	**179,389**	**0**	**179,389**	
Total financial assets	**2,582**	**179,389**	**0**	**181,971**	

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FINANCIAL LIABILITIES

	Carrying amount in € thousand		Fair value in € thousand	Level of fair value hierarchy
				12/31/2022
	Mandatorily at FVtPL	Financial liabilities – AmC		
Financial liabilities measured at fair value				
Liabilities, non-controlling interests	754	0	754	3
Total	**754**	**0**	**754**	
Financial liabilities not measured at fair value				
Liabilities to banks	0	342,269	334,570	2
Liabilities to related companies	0	87,047	87,047	2
Liabilities to third parties from exchange-listed corporate bonds	0	69,693	61,246	1
Liabilities to third parties from corporate bonds	0	199,863	174,161	2
Loan liabilities to third parties	0	182,850	180,847	2
Trade payables	0	103,428	103,428	
Other financial liabilities	0	12,388	12,388	
Lease liabilities	0	282	n/a	
Contract liabilities	0	135	135	
Total	**0**	**997,954**	**953,822**	
Total financial liabilities	**754**	**997,954***	**954,576**	

* With the exception of lease liabilities that are separate from the classification in accordance with IFRS 9, the total of the category 'other financial liabilities – AmC' amounts to €997,672 thousand.

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FINANCIAL ASSETS

	Carrying amount in € thousand			Fair value in € thousand	12/31/2021 Level of fair value hierarchy
	Mandatorily at FVtPL	Financial assets – AmC	Financial liabilities – AmC		
Financial assets measured at fair value					
Equity investments	2,582	0	0	2,582	3
Embedded derivatives	0	0	0	0	3
Total	**2,582**	**0**	**0**	**2,582**	
Financial assets not measured at fair value					
Trade receivables	0	665	0	665	
Other receivables	0	5,526	0	5,526	
Contract assets	0	959	0	959	
Loans	0	140,555	0	140,555	
Security deposits for leased office space	0	67	0	67	
Cash and cash equivalents	0	16,457	0	16,457	
Total	**0**	**164,229**	**0**	**164,229**	
Total financial assets	**2,582**	**164,229**	**0**	**166,811**	

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FINANCIAL LIABILITIES

	Carrying amount in € thousand		Fair value in € thousand	12/31/2021 Level of fair value hierarchy
	Mandatorily at FVtPL	Financial liabilities – AmC		
Financial liabilities measured at fair value				
Liabilities, non-controlling interests	742	0	742	3
Total	**742**	**0**	**742**	
Financial liabilities not measured at fair value				
Liabilities to banks	0	237,755	245,810	2
Liabilities to related companies	0	98,889	98,889	2
Liabilities under corporate bonds to related parties	0	72,669	71,341	2
Liabilities to third parties from exchange-listed corporate bonds	0	166,976	170,280	1
Loan liabilities to third parties	0	185,266	190,620	2
Trade payables	0	98,741	98,741	
Other financial liabilities	0	16,586	16,586	
Lease liabilities	0	616	n/a	
Contract liabilities	0	53	53	
Total	**0**	**877,551**	**892,320**	
Total financial liabilities	**742**	**877,551***	**893,062**	

* With the exception of lease liabilities that are separate from the classification in accordance with IFRS 9, the total of the category ‘other financial liabilities – AmC’ amounts to €876,935 thousand.

Financial instruments measured at fair value are assigned to (measurement) levels depending on the importance of the factors and information considered for measuring them.

The assignment of a financial instrument to a level depends on the importance of the input factors considered for its overall measurement; the lowest level for which the measurement as a whole is significant or determining is chosen. The measurement levels are sub-divided to the following hierarchy levels according to their input factors:

Level 1: Quoted prices in active markets for identical assets or liabilities (unadjusted)

Level 2: Inputs other than the quoted prices applied in Level 1, which are, however, observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Factors considered for measuring the asset or liability that are not based on observable market data (unobservable inputs)

The derivative financial instruments recognized in the previous year's consolidated statement of financial position are embedded derivatives that are separated from the bonds and are measured on the basis of the Level 3 information and inputs described above.

Interest rates and default intensities are simulated in order to assess the advantages of exercising the termination options. The inputs of the valuation model are interest and credit spread volatilities as well as the yield curve and the CDS rates as of the respective valuation date. Since credit spreads are not directly observable in the market, the embedded termination options have to be allocated to Level 3 of the fair vale hierarchy.

Financial liabilities are measured on the basis of the discounted cash flow method (Level 2). For this purpose, the future cash flows are discounted using risk-adjusted interest rates with matching maturities.

The fair value of cash and cash equivalents as well as financial assets (such as loans) is a reasonable approximation of their carrying amounts due to their short-term maturity. The fair value of trade receivables/payables as well as other receivables/liabilities is a reasonable approximation of their carrying amounts.

For the liabilities of non-controlling interests as well as for unlisted equity investments in the Group, the measurement method is chosen which is deemed appropriate and practical in the respective case. This includes information gathered from financing rounds carried out recently or multiplier methods. The acquisition costs are considered the best estimate of fair value only when there is no sufficient information for fair value measurement. Moreover, the Group is not aware of any evidence indicating that the fair value is lower than (amortized) cost.

The Group recognizes transfers between various levels of the fair value hierarchy as of the end of the reporting period in which the change has occurred. There were no transfers between the levels in the reporting period and the comparative period.

The reconciliation of the opening balances to the closing balances of Level 3 fair values is presented in the table below.

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in € thousand	**Derivative financial instruments**	**Liabilities non-controlling interests**	**Equity investments FVtPL**
Balance as of 01/01/2021	**2,435**	**–834**	**2,637**
Gains (losses) recognized in finance costs	0	0	–5
Disposals from consolidation group	–2,435	92	–50
Balance as of 12/31/2021	**0**	**–742**	**2,582**
Gains (losses) recognized in finance costs	0	–12	0
Additions	0	0	0
Disposals from consolidation group	0	0	0
Balance as of 12/31/2022	**0**	**–754**	**2,582**

No derivative financial instruments have to be recognized in the fiscal year 2022. Any change considered possible in one of the principal, unobservable input factors, while retaining the other input factors, would have had the following effects on the fair values of derivative financial instruments in the previous year:

in € thousand	Profit or loss	
	Increase	Decrease
Balance as of 12/31/2021		
Anticipated fair market refinancing rate (1% change)	–457	529
Balance as of 12/31/2022		
Anticipated fair market refinancing rate (1% change)	0	0

3.4 NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS

The net gains or losses from financial instruments broken down by measurement category in accordance with IAS 9 are as follows:

NET GAIN OR LOSS

				2022
in € thousand	Mandatorily at FVtPL	Financial assets – AmC	Other financial liabilities – AmC	Total
Finance income	0	8,340	0	**8,340**
Finance costs and other finance costs, net	–12	0	–60,599	**–60,611**
Impairment and derecognition (in other operating expenses)	0	–284	0	**–284**
Net gain or loss	**–12**	**8,056**	**–60,599**	**–52,555**

				2021
in € thousand	Mandatorily at FVtPL	Financial assets – AmC	Other financial liabilities – AmC	Total
Finance income	0	6,828	0	**6,828**
Finance costs and other finance costs, net	92	0	–42,043	**–41,951**
Impairment (in other operating expenses)	0	–74	0	**–74**
Net gain or loss	**92**	**6,754**	**–42,043**	**–35,197**

3.5 INTEREST RATE RISK

Risks arising from interest rate changes fundamentally exist for the Group in connection with taking out or extend loans to finance the purchase of properties or to finance construction activities. In this context, changes in interest rates can have an impact on the Group's financial performance or on the value of the financial instruments held by the Group.

Both fixed and variable interest rates were agreed for future loan obligations. Interest rate risks arise on a continuing basis from variable-rate interest rates of loan obligations. As part of its risk management, the Group monitors the range of interest rate risks through a balanced mix of fixed and variable interest loans.

Interest hedges to reduce the risk of interest rate changes have not yet been concluded to date.

Based on a risk exposure of €341,974 thousand (previous year: €219,063 thousand) and given a hypothetical increase or decrease in the market interest rate level by 50 basis points, the following effects would have been incurred on earnings before taxes (EBT), which influence the net finance costs presented in profit or loss:

—

RESULT

in € thousand	Basis points	2022	2021
Shift in market interest level	+50 –50	1,881 –1,710	0 0

3.6 DEFAULT RISK MANAGEMENT

Default risk is the risk of a loss for the Group if a contracting party does not fulfill its contractual obligations. The Group only enters into business relationships with creditworthy contracting parties and obtains security when appropriate to mitigate the risks of a loss from the non-fulfillment of obligations. The Group uses available financial information and its own commercial records to assess its customers. The Group's risk exposure is continuously monitored. Particular default risks that normally arise in significant receivables from sales of real estate and equity investments and in brokerage commissions owed by institutional investors are treated separately.

There were no significant default risks at the reporting date. The carrying amount of financial assets recognized in the consolidated financial statements represents the maximum default risk.

TRADE RECEIVABLES

Trade receivables are owed by a large number of customers in different German states. They are usually individuals or business people who have rented or purchased the Group's real estate.

The following table shows the credit risk classification of trade receivables as well as their loss allowance:

—

TRADE RECEIVABLES

in € thousand	12/31/2022	12/31/2021
Receivables not past due	1,420	257
Receivables past due by up to 30 days	17	46
Receivables past due by up to 90 days	0	14
Receivables past due by up to 180 days	44	5
Receivables past due by up to 360 days	274	261
Receivables past due by more than 360 days	302	82
Total	**2,057**	**665**
Impairment	0	0
Net carrying amount	**2,057**	**665**

Receivables not past due at the reporting date are mainly owed by customers with good creditworthiness or concerning which the Group does not expect any notable defaults. In the past, there were also no material impairments or defaults due to creditworthiness. However, as a result of the coronavirus pandemic, MUC Airport Living GmbH entered into an agreement to defer lease payments in 2021 in the amount of €247 thousand for the period from July 2020 to April 2021. Since May 2021, these payments have now been made in equal installments over the remaining lease term.

The majority of past due receivables result from lease receivables. On the basis of current information, it has to be assumed that these receivable can be collected since an agreement to defer payment is available and payment in installments has been agreed. In addition, a rental guarantee has been agreed to hedge these receivables.

The opening balance of impairments of trade receivables as of January 1, 2022 is reconciled with the closing balance of impairments in the table below:

—

IMPAIRMENT ON TRADE RECEIVABLES*

in € thousand	2022	2021
As of 01/01	**0**	**140**
Increase in the impairment for credit losses recognized in profit or loss for the fiscal year	0	0
Amounts written off as uncollectable in the fiscal year	13	0
Amounts derecognized in the context of deconsolidation	0	–140
Amounts not utilized and reversed	0	0
As of 12/31	**13**	**0**

*Simplified approach

After an appropriate determination is made, trade receivables are derecognized when they are no longer recoverable. This is usually the case when the debtor fails to commit to a repayment plan with the Group. In the year under review, rent receivables in the amount of €13 thousand were written off directly as they were deemed uncollectible.

All impairments of receivables are generally included in the statement of profit or loss under other operating expenses.

OTHER FINANCIAL ASSETS

As a result of expected permanent impairment, specific valuation allowances were recorded for other financial assets in the amount of €271 thousand (previous year: €74 thousand).

No default is expected for other loan receivables from third parties, contract assets and outstanding purchase price receivables since these claims exist toward customers with a good creditworthiness.

We do not include a tabular presentation of the reconciliation of the impairments in accordance with IFRS 7.35 H-I since they amount to 0 in both the previous year and as of the reporting date (offsetting of the addition of impairments against derecognition).

CASH AND CASH EQUIVALENTS

The cash and cash equivalents are deposited in banks and financial institutions. The estimated loss allowance for cash and cash equivalents was calculated on the basis of expected losses within 12 months and reflects the short terms to maturity. The Group assumes that its cash and cash equivalents have a low risk of default due to the external ratings of the banks and financial institutions.

Impairment losses in the category of cash and cash equivalents are insignificant for the Group.

3.7 LIQUIDITY RISK

Liquidity risks for the Group arise from the possibility that contractual financial obligations might not be met.

The responsibility for liquidity risk management lies with the Management Board, which has developed an appropriate concept for meeting short-term, medium-term and long-term financing and liquidity requirements. The Group manages liquidity risks by maintaining appropriate reserves and credit facilities with banks and by continuously monitoring projected and actual cash flows and harmonizing the maturity profiles of financial assets and liabilities. The liquidity planning regularly prepared for this purpose is intended to ensure that unforeseeable liquidity needs can be met in addition to planned financing requirements.

The following table shows the contractual terms to maturity of the Group's liabilities that fall within the scope of IFRS 7. The table is based on undiscounted cash flows, according to the earliest date at which the Group may be required to settle the liabilities. The table includes both interest and principal payments.

—

CONTRACTUAL CASH FLOWS

					2022
in € thousand	Within 12 months	From 12 to 24 months	From 24 to 60 months	After more than 60 months	Total
Financial liabilities	–503,530	–316,791	–123,607	–2,242	**–946,170**
Trade payables	–154,466	0	0	0	**–154,466**
Other financial liabilities	–27,108	0	–237	–754	**–28,099**
Lease liabilities	–129	–153	0	0	**–282**
Total	**–685,233**	**–316,944**	**–123,844**	**–2,996**	**–1,129,017**

—

					2021
in € thousand	Within 12 months	From 12 to 24 months	From 24 to 60 months	After more than 60 months	Total
Financial liabilities	–582,501	–53,181	–144,899	–2,920	**–729,501**
Trade payables	–162,565	0	0	0	**–162,565**
Other financial liabilities	–26,579	–847	0	0	**–27,426**
Lease liabilities	–348	–148	–144	0	**–640**
Total	**–717,993**	**–54,176**	**–145,043**	**–2,920**	**–920,132**

The Group expects that it will be able to pay its liabilities from its own operating cash flow, available financial assets and the funds made available by affiliated companies.

The interest payments for variable-interest loans presented in the table reflect the market conditions for forward interest rates at the end of the fiscal year. These could change when market interest rates change. It is not expected that a cash flow included in the maturity analysis could occur considerably earlier or that a significant different amount could result.

A possible early repayment obligation can arise from existing covenants for some financial liabilities with a total carrying amount of €236.3 million. The covenants refer to LTV and LTC, respectively; compliance with the covenants is monitored on an ongoing basis. All covenants in relation to key indicators were complied with in the year under review.

The failure to extend a junior financing arrangement constituted a breach of a loan agreement with the senior lender, which represents a termination event as defined in the continuing loan agreement. This results in a repayment obligation totaling €231.2 million. Negotiations are ongoing.

Further breaches of covenants are not expected for 2023.

3.8 FINANCING RISK

GATEWAY relies on the granting of bank loans, bonds, or loans from affiliated companies to finance acquisitions of companies and properties as well as its ongoing operations.

Particularly within the scope of real estate financing, it is also necessary to renew or refinance expiring loans, some of which are granted only on a short-term basis and must be regularly renewed. In all cases, there is a risk that a renewal is not possible or not at the same or different terms.

The market risk from bank loans results from interest rate risks in relation to the variable-interest loans and generally in case of loan extensions. Unutilized credit facilities from project financings in the amount of €270,588 thousand were available at the reporting date (previous year: €137,589 thousand).

The goal of the financial management system is to ensure that GATEWAY generates the necessary financial resources to finance operational growth and the investments required for this purpose from its own business activities. Until this goal is achieved and implemented, affiliated companies support GATEWAY by providing sufficient financial resources.

3.9 ASSETS PLEDGED AS SECURITY

Collateral has been provided for the Group's existing financing arrangements, mainly in the form of land charges and pledges on bank accounts.

The carrying amounts of assets transferred as security for current and non-current borrowings are presented in the table below:

—

ASSETS

in € thousand	2022	2021
Current		
Investment properties held for sale	0	45,200
Inventories	878,763	654,632
Cash and cash equivalents	2,473	2,514
Total amount of current assets transferred as security	**881,236**	**702,346**
Non-current		
Property, plant and equipment	0	386
Investment properties	271,170	286,460
Total amount of non-current assets transferred as security	**271,170**	**286,846**
Total amount of assets transferred as security	**1,152,406**	**989,192**

In addition, the following shares in fully-consolidated subsidiaries were provided in full as security:
— Storkower Straße 142–146 PE GmbH (100% of the shares)
— Revaler Straße 32 PE GmbH (100% of the shares)
— Borussia Dresden QaB 1–12 (100% of the shares)
— Borussia Köln-Deutz 1–21 (100% of the shares)
— Project companies of SoHo Mannheim (S1–12) (100% of the shares)

In addition, the shares of SKE Immo Sulzbach GmbH (S.à r.l.), Luxembourg, were transferred as collateral for the project financing of the L416 project; the acquisition process for this project is currently underway. Please refer to Note 7.2.

4. ESTIMATES, DISCRETIONARY JUDGMENTS AND ASSUMPTIONS APPLIED FOR ACCOUNTING PURPOSES

For accounting purposes, the Company makes estimates and assumptions regarding expected future developments. All assumptions and estimates are made on the basis of the circumstances and assessments at the reporting date and influence the presentation of the Group's financial position, cash flows and financial performance, as well as the understanding of the underlying risks of financial reporting. The estimates derived from these factors may differ from actual later events. Critical estimates and assumptions are applied for accounting purposes particularly in the following areas:

— With respect to the properties held by the Group, the Management Board must decide at every reporting date whether they should be held on a long-term basis to earn rentals or for capital appreciation or both or for sale. Depending on this decision, the properties are accounted for as land with unfinished and finished buildings intended for sale (inventories) or as non-current assets intended for sale, in accordance with the principles for investment properties, and measured at (amortized) cost or fair value, depending on the classification. We refer to Notes 6.3, 6.5 and 6.8.

— The market values of investment properties are based on the results of independent experts engaged for this purpose. The appraisals are conducted in accordance with the discounted cash flow method or the residual value method based on expected future revenue surpluses (procedure of Measurement Level 3). Accordingly, factors such as future rental income and the valuation interest rate to be applied, which have a direct effect on the fair values of the investment properties, are estimated by GATEWAY in collaboration with the appraiser. The fair values of investment properties as of the reporting date totaled €271,170 thousand (previous year: €286,460 thousand). We refer to Note 6.3.

- Estimates must be made for the recognition of current and deferred taxes. There are uncertainties related to the interpretation of tax regulations, including for example with respect to the treatment of tax loss carryforwards when ownership changes during a fiscal year, taking into account the rules set out in Section 8c of the German Corporation Tax Act (Körperschaftssteuergesetz, KStG) and Section 10a of the German Municipal Trade Tax Act (Gewerbesteuergesetz, GewStG). Therefore, differences between the actual results and our assumptions or future changes in our estimates can lead to changes of the taxable profit in future periods. In addition, the utilization of deferred tax assets requires future tax results, unless deferred tax liabilities of at least the same amount are also attributable to a tax unit. We refer to Note 6.12.

- There is scope for discretion in determining the time and amount of revenue recognition in accordance with the principles of IFRS 15. If a binding sales contract already exists for a property under development, revenue recognition based on a time period in accordance with the estimated stage of completion can also be considered in addition to revenue recognition based on a specific point in time. This applies accordingly to revenue recognition for undertakings included in the financial statements using the equity method. We refer to Notes 6.4 and 6.13.

5. SEGMENT REPORT

The segment report is prepared in accordance with IFRS 8 based on the management approach. This means that the segment report is linked to the reporting to the chief operating decision makers and reflects the information regularly presented to the chief operating decision makers with respect to decisions on the allocation of resources to the segments and the assessment of profitability. Profitability is assessed and managed on the basis of EBIT adjusted. EBIT adjusted is defined by the Group as the operating profit plus the result from investments accounted for using the equity method.

There is no reporting of results on the basis of geographical regions because all of the Group's activities are conducted in Germany.

The individual segments are described in the following:

- **Standing Assets:** This segment covers a profitable and diverse portfolio of existing properties. As a result of the strategic expansion to also construct residential properties for the Company's own portfolio (build-to-hold), as resolved in October 2020, the Standing Assets segment also comprises residential property projects that are held and managed in the long term to generate sustainable revenues. The segment revenues during the fiscal year primarily consist of rental income from the completed investment properties.

- **Residential Properties Development:** In the Residential Properties Development segment, the Group concentrates on development activities in selected metropolitan regions in Germany, normally cities with a population of at least 100,000, such as Dresden, Berlin, Erfurt, Frankfurt am Main, Leipzig and Munich. The focus here is on the new construction of medium-sized apartment buildings for modern living and mixed-use properties and real estate.

- **Commercial Properties Development:** The development activities for commercial properties are combined in the Commercial Properties Development segment. The objective of this segment is to develop attractive and high-quality office buildings with modern architecture and flexible usage formats. Due to the sale of the shares held in Development Partner AG in the previous year, the activities in this segment are now concentrated on Berlin. Upon the planned sale of the properties classified as inventories, the corresponding activities in the Commercial Properties Development segment will be discontinued in line with the amended business strategy.

The segment information is determined on the basis of the accounting policies used in the consolidated financial statements. Segment assets as well as revenues and expenses resulting from intersegmental transactions are eliminated in the column "consolidation."

The major effects shown in this column result from the consolidation of intra-group balances as well as of expenses and income.

Revenue from third parties (external revenue) is generated exclusively in Germany; 91.5% of this revenue is attributable to the Standing Asset segment and 8.5% to the Residential Properties Development segment. Revenue from third parties of both segments mainly refers to rental revenue and the revenue from operating costs from investment properties held as financial investments and held for sale as well as from interim rentals of project developments.

The change in the value of investment properties results exclusively from the Standing Assets segment because only inventory properties are held in the other two segments.

The operating profit of continuing operations as reported in the statement of comprehensive income is specified as the segment result.

In the previous year, the profit and loss shares in undertakings accounted for using the equity method were allocated to the relevant segment in accordance with their business activity. Interest income and interest expenses are allocated according to the associated liabilities or assets.

Segment assets include all the Group's assets, and segment liabilities include all the Group's provisions and liabilities. Investments accounted for using the equity method are reported separately here. Segment investments (additions to non-current assets) show all investments in non-current assets as well as additions from fair value changes in investment properties (we refer to Note 6.3).

6. ADDITIONAL NOTES TO THE ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 INTANGIBLE ASSETS

Please refer to Notes 2.5 and 2.7 for information on the accounting methods.

Intangible assets showed the following development in the last two reporting periods:

—

COST

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2021	**39,881**	**369**	**268**	**40,518**
Additions	0	3	0	3
Disposals	0	15	0	15
Disposals arising from changes to the scope of consolidation	23,968	171	148	24,287
Balance as of 12/31/2021	**15,913**	**186**	**120**	**16,219**
Additions	0	83	0	83
Disposals	0	0	0	0
Balance as of 12/31/2022	**15,913**	**269**	**120**	**16,302**

—

AMORTIZATION

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2021	**0**	**66**	**23**	**89**
Additions	0	57	24	81
Disposals	0	0	0	0
Disposals arising from changes to the scope of consolidation	0	66	3	69
Balance as of 12/31/2021	**0**	**57**	**44**	**101**
Additions	0	41	24	65
Disposals	0	0	0	0
Impairment	6,124	171	52	6,347
Balance as of 12/31/2022	**6,124**	**269**	**120**	**6,513**

—

CARRYING AMOUNTS

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2021	**39,881**	**303**	**245**	**40,429**
Balance as of 12/31/2021	**15,913**	**129**	**76**	**16,118**
Balance as of 12/31/2022	**9,789**	**0**	**0**	**9,789**

The remaining portion of the goodwill that arose as part of the reverse acquisition in 2018 breaks down as follows for the year under review:

- €6,124 thousand are allocated to the group of CGUs "Standing Assets";
- €9,789 thousand are allocated to the group of CGUs "Residential Properties Development".

Goodwill was subjected to an annual impairment test during the reporting period as of September 30, 2022, in accordance with the provisions set out in IAS 36.

For this purpose, the carrying amount of the group of CGUs is compared with its recoverable amount. The recoverable amount of the group of CGUs is determined using its value in use which is calculated by discounting projected cash flows. As of September 30, 2022, the recoverable amount for the group of CGUs "Standing Assets" was €178.5 million, and €1,071 million for "Residential Properties Development".

The impairment test conducted on the basis of the value in use of the group of CGUs showed that impairment losses were required to be recognized for the group of CGUs of the Standing Assets business area.

The impairment results from increased capital costs and a delay in the timing of project development activities following the slowdown of the overall economy.

Therefore, the carrying amounts of the group of CGUs "Standing Assets" in the amount of €6,899 thousand was fully impaired. An amount of €6,124 thousand is attributable to goodwill and an amount of €223 thousand to other intangible assets, while €552 thousand are attributable to property, plant and equipment (see Note 6.2).

Moreover, there was no evidence identified as of the reporting date indicating that further impairment losses had to be recognized.

6.2 PROPERTY, PLANT AND EQUIPMENT

Please refer to Notes 2.6 and 2.7 for information on the accounting methods.

The development of property, plant and equipment is presented in the table below:

—

COST

in € thousand	Operating facilities	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2021	**28**	**375**	**3,695**	**1,137**	**5,235**
Additions	0	0	342	140	482
Disposals	0	0	414	26	440
Disposals arising from changes to the scope of consolidation	0	359	2,245	876	3,480
Balance as of 12/31/2021	**28**	**16**	**1,378**	**375**	**1,797**
Additions	0	6	0	74	80
Disposals	28	0	0	–5	23
Balance as of 12/31/2022	**0**	**22**	**1,378**	**454**	**1,854**

—

DEPRECIATION AND IMPAIRMENTS

in € thousand	Operating facilities	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2021	**13**	**113**	**809**	**799**	**1,734**
Additions	0	16	665	98	779
Disposals	0	0	20	8	28
Disposals arising from changes to the scope of consolidation	0	120	642	679	1,441
Balance as of 12/31/2021	**13**	**9**	**812**	**210**	**1,044**
Additions	0	7	192	75	274
Disposals	13	1	0	6	20
Impairment	0	7	374	171	552
Balance as of 12/31/2022	**0**	**22**	**1,378**	**450**	**1,850**

—

CARRYING AMOUNTS

in € thousand	Operating facilities	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2021	15	263	2,885	338	3,501
Balance as of 12/31/2021	15	7	566	165	753
Balance as of 12/31/2022	0	0	0	4	4

As a result of the impairment test in accordance with IAS 36 carried out as planned as of September 30, 2022 and the resulting impairment losses, the property, plant and equipment of the Standing Assets business in the amount of €522 thousand were fully impaired.

Therefore, as of December 31, 2022, property, plant and equipment includes recognized right-of-use assets of €0 thousand (previous year: €193 thousand) in connection with leased objects that do not meet the definition of investment properties. A detailed list of the right-of-use assets is included in Note 6.20.

6.3 INVESTMENT PROPERTIES

Please refer to Note 2.8 for information on the accounting methods.

All information presented here pertains to the Standing Assets segment. As in the comparative period, there were no intersegment transactions during the reporting period.

In the reporting period, measurement losses of €18,096 thousand (previous year: measurement gains of €69,088 thousand) were recorded in the statement of comprehensive income in the item “Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale”. Of that amount, measurement losses of €15,496 thousand (previous year: measurement gains of €62,407 thousand) were attributable to investment properties. These measurement gains entirely concern properties whose fair value was determined based on Level 3.

An amount of €–2,600 thousand (previous year: €6,681 thousand) of the fair value changes is attributable to non-current assets held for sale. We refer to Note 6.8.

The development of investment properties is presented in the following table:

—

in € thousand	
Balance as of 01/01/2021	**184,920**
Reclassification of inventories to IAS 40	30,476
Subsequent production costs	8,657
Change in market value	62,407
Balance as of 12/31/2021	**286,460**
Subsequent production costs	206
Change in market value	–15,496
Balance as of 12/31/2022	**271,170**

Of the investment properties, properties with a total carrying amount of €271,170 thousand (previous year: €286,460 thousand) were secured by mortgages as of the reporting date.

The plot of land of Gateway Fünfte GmbH was sold during the reporting period. As of June 30, 2022, the value of the building was reduced by €2,600 thousand due to the change in the market value.

The following table presents the significant amounts recognized in the statement of profit or loss for the properties shown as investment properties:

—

in € thousand	2022	2021
Rental revenues	5,035	4,956
Revenues from operating costs	2,541	2,904
Revenues from cost charges to others and building cost subsidies	11	106
Administration costs (operating costs, maintenance, administration, etc.)	–4,968	–3,836
	2,619	**4,130**
Thereof fair value Level 3	2,619	4,130
Thereof fair value Level 2	0	0

Operating expenses in the amount of €4,968 thousand are attributable to primarily leased properties. The expenses allocable to the vacant parts of the properties are of subordinate importance.

In accordance with International Valuation Standards, the fair values of investment properties are determined on the basis of the residual value method or the discounted cash flow procedure. Expected future rental surpluses from a property are discounted to present value at the valuation date by applying a market-appropriate, property-specific discount rate. Whereas net rents are usually applied in determining the rental revenues, operating expenses are incurred particularly from the management costs, which the owner is obligated to pay.

The table below shows the fair values of investment properties as well as the principal assumptions applied for purposes of the above-mentioned valuation technique:

—

						2022
Property	**Blüherpark BA2 Dresden**		**August Bebel Platz 20 Duisburg**	**Lilienthalstr. 5–9 Hallbergmoos**	**Rudolf-Diesel-Straße 5, 7 Eschborn**	**Berliner Allee 53–65 Augsburg**
Type	**Refur-bishment Office**	**Parking**	**Standing asset Shopping center**	**Standing asset Hotel**	**Standing asset Office**	**Development Commercial/ residential**
Rented space (usable area) in sqm	38,286	5,028	11,423	8,279	8,005	149,370
Vacant space in sqm	0	5,028	228	0	2,106	149,370
Initial vacancy rate in % (based on total space)	0.0	100.0	2.0	0.0	26.3	100.0
Achievable net basic rent (market rent) p.a. in € thousand (parking space included)	*3,903*	*n/a*	*849*	*1,413*	*938*	*30,087*
Achievable net basic rent (market rent) per sqm in €	8.5	n/a	6.2	14.23	9.76	18.79
Actually achieved net basic rent (contract rent) p.a. in € thousand (parking space included)	*3,903*	*n/a*	*849*	*1,413*	*677*	*n/a*
Actually achieved net basic rent (contract rent) per sqm in €	8.50	n/a	6.3	14.23	9.57	n/a
Fair value in € thousand	79,900	5,800	9,900	24,000	10,600	141,500
Fair value per sqm of rented space in €	2,087	1,159	867	2,899	1,324	947
Fair value per sqm of land area in €	3,824	923	956	3,215	2,039	1,175
Multiplier on market rent (market value: achievable net basic rent)	20.5	n/a	11.7	17.0	11.3	29.4
Multiplier on contract rent (market value: contractual net basic rent)	20.5	n/a	11.7	17.0	15.7	29.4
Valuation parameters:						
Average maintenance costs p.a. in €/sqm	n/a	n/a	5.49	7.96	8.35	9.34
Administrative expenses (in % of achievable rent)	2.0	n/a	1.0	1.5	0.0	1.6
Operating costs not chargeable (in % of achievable rent)	0.5	n/a	11.5	0.5	7.7	6.7
Discount rate in %	5.75	n/a	6.30	7.00	6.75	n/a
Capitalization interest rates in %	5.25	n/a	5.75	6.00	6.25	3.4
Multiplier in case of resale after ten years	19.0	n/a	17.4	16.7	16.0	26.4
Incidental acquisition costs upon resale in %	4.75	n/a	8.50	4.75	7.25	3.80
Land area in sqm	20,897	6.285	10,356	7,466	5,199	120,472
Net sales value at exit in € thousand	n/a	n/a	n/a	n/a	n/a	795,062
Cost in € thousand	n/a		n/a	n/a	n/a	580,914

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						2021
Property	**Blüherpark BA2 Dresden**		**August Bebel Platz 20 Duisburg**	**Lilienthalstr. 5–9 Hallbergmoos**	**Rudolf-Diesel-Straße 5, 7 Eschborn**	**Berliner Allee 53–65 Augsburg**
Type	**Refurbishment Office**	**Parking**	**Standing asset Shopping center**	**Standing asset Hotel**	**Standing asset Office**	**Development Commercial/ residential**
Rented space (usable area) in sqm	37,025	5,028	11,423	8,279	8,005	144,104
Vacant space in sqm	73	5,028	489	0	2,428	144,104
Initial vacancy rate in % (based on total space)	0.2	100.0	4.3	0.0	30.3	100.0
Achievable net basic rent (market rent) p.a. in € thousand (parking space included)	*6,664*	*n/a*	*859*	*1,291*	*938*	*26,424*
Achievable net basic rent (market rent) per sqm in €	15.0	n/a	6.27	12.99	9.76	13.68
Actually achieved net basic rent (contract rent) p.a. in € thousand (parking space included)	*1,076*	*n/a*	*830*	*1,291*	*649*	*n/a*
Actually achieved net basic rent (contract rent) per sqm in €	2.43	n/a	6.33	12.99	9.69	n/a
Fair value in € thousand	69,500	6,300	10,600	23,700	10,800	166,100
Fair value per sqm of rented space in €	1,877	1,253	928	2,863	1,349	n/a
Fair value per sqm of land area in €	3,326	1,253	1,024	3,174	2,077	1,379
Multiplier on market rent (market value: achievable net basic rent)	10.4	n/a	12.3	18.4	11.5	n/a
Multiplier on contract rent (market value: contractual net basic rent)	64.5	n/a	12.8	18.4	16.6	n/a
Valuation parameters:						
Average maintenance costs p.a. in €/sqm	8.50	n/a	5.50	7.00	8.42	7.01
Administrative expenses (in % of achievable rent)	2.0	n/a	1.0	1.5	0.0	1.5
Operating costs not chargeable (in % of achievable rent)	7.2	n/a	11.4	7.1	7.7	6.3
Discount rate in %	4.10	n/a	6.25	6.10	6.75	n/a
Capitalization interest rates in %	3.60	n/a	5.75	5.10	6.25	2.7
Multiplier in case of resale after ten years	27.8	n/a	17.4	19.6	16.0	28.8
Incidental acquisition costs upon resale in %	4.75	n/a	7.75	4.75	7.25	3.65
Land area in sqm	20,897	6,285	10,356	7,466	5,199	120,472
Net sales value at exit in € thousand	n/a	n/a	n/a	n/a	n/a	760,755
Cost in € thousand	116,317		n/a	n/a	n/a	525,082

The determination of the fair value was generally based on Level 3 input factors (see also Note 3.3), i.e., factors not based on observable market data (unobservable input factors). For properties that are held for sale and for which a binding purchase agreement is already on hand as of the reporting date, the agreed sale prices are applied. In such cases, the fair value is calculated on the basis of Level 2 input factors that can be observed for the asset directly (i.e. as the price).

The selection of the valuation method depends on the property's state of development as of the valuation date: In the case of undeveloped sites without building permit or an approved project-specific land use plan (unless the planned real estate fits in the adjacent development in terms of the type and extent of building use in accordance with Section 34 of the German Construction Act (Baugesetzbuch; BauGB)), the sales comparison approach (Vergleichswertverfahren) with reference to the land value (Bodenwert) is used. In this context, the reference land value and/or, if available, comparable transactions from the committee of appraisers represent the data basis. These parameters are then adjusted, taking into account the characteristics of the plot of land, to establish a like-for-like basis. If there are plans to change the use of plots of land from commercial to residential, the currently possible use often does not represent an actual measure. Therefore, the comparable transactions, if available, are the best indicator for the fair value for financial reporting.

In the case of undeveloped sites with building permit or an approved project-specific land use plan, or if the approval of such land use plan is merely a formal act, the residual value method is used to determine a realistic land value.

The underlying application of the residual value method assumes that the construction costs, including ancillary construction costs, of the development site are incurred on a straight-line basis between the start and the end of construction works. In order to determine the value of the property as of the reporting date, the direct income capitalization method is used to calculate the potential sale proceeds after completion. Any necessary construction costs, including ancillary construction costs, are deducted from the sale proceeds. The costs for financing and marketing as well as the developer's profit are also deducted from the sale proceeds.

Financing costs are determined taking into account the weighted average cost of capital by using the average capital employed in the amount of 50 percent of construction costs, including ancillary construction costs. The assumption used in relation to marketing costs is that they are not incurred prior to the end of the construction period. The developer's profit is determined by reference to the sale proceeds (excluding incidental acquisition costs), which, in turn, are calculated based on estimated rental income. The subtotal, after taking into account the positions mentioned above, is called "Residual I". The financing costs of the plot of land are then deducted from "Residual I", with the financing costs being calculated using the compound interest rate for the term from the valuation date until the estimated date of sale based on the weighted average cost of capital. The final total, "Residual II", is then determined by deducting incidental acquisition costs.

Once a property is about to be completed, the discounted cash flow (DCF) method is applied. Any outstanding costs incurred during the construction period may be deducted as a one-off payment under this method.

The applied DCF method is a multi-period model. Future increases in revenue and costs are explicitly represented in the ten-year detailed planning period. Deviations between the rental revenues actually earned (contract rent) and the estimated sustainably achievable rental revenues (market rent) as well as the change in the vacancy rate were determined by taking the rental location and the special features of the individual property into account. Costs for new rentals (tenant build-outs, rental commissions, and costs for rent-free periods) were taken into account using historical data. In addition, all costs to be paid by the owner were deducted (maintenance and management costs, vacancy costs, etc.).

The net income for the detailed planning period determined in this way (the assumed rental period) was measured at the valuation date, which is identical with the reporting date. Following the detailed planning period, a resale value was determined based on a multiplier related to the sustainably achievable annual net income. Estimated costs of sale were deducted from the calculated gross resale value, and the resulting net realizable value was discounted to the valuation date. The present value of the net income of the detailed planning period plus the present value of the net realizable value equals the market value of the individual property. The assumptions applied in determining the value of properties are made by the independent appraiser on the basis of his professional experience and are subject to uncertainty.

The following overview shows the distribution of the fair values by property class:

—

FAIR VALUES

in € million	2022	2021
Office	10.1	10.8*
Shopping center	9.9	10.6
Residential/commercial development	141.5	166.1
Office refurbishment	85.7	75.8
Hotel	24.0	23.7
Total	**271.2**	**287.0**

* The recognized fair value in the amount of €530 thousand for the partially owner-occupied portfolio property of the office segment deviates from the total fair value as this portion was allocated to property, plant and equipment due to its owner-occupied character.

As part of the sensitivity analysis, key non-observable input factors were varied. This was done for the discount rate and the market rent. This had the following impact on the fair values for the determined property classes.

—

SENSITIVITY ANALYSIS

						12/31/2022
	Construction costs, excluding ancillary construction costs		**Discount rate/capitalization rate (for residential/commercial)**		**Market rent**	
in € million	5.0 %	–5.0 %	–0.25 %	0.25 %	5.0 %	–5.0 %
Office	n/a	n/a	0.6	–0.5	0.6	–0.6
Shopping center	n/a	n/a	0.6	–0.5	0.6	–0.5
Residential/commercial development	–19.1	19.2	47.0	–40.5	30.9	–30.8
Office refurbishment	n/a	n/a	4.2	–3.8	2.6	–2.6
Hotel	n/a	n/a	1.0	–0.9	0.7	–0.7
Total	**–19.1**	**19.2**	**53.4**	**–46.2**	**35.4**	**–35.2**

—

12/31/2021

in € million	Construction costs, excluding ancillary construction costs 5.0 %	-5.0 %	Discount rate/capitalization rate (for residential/commercial) -0.25 %	0.25 %	Market rent 5.0 %	-5.0 %
Office	n/a	n/a	0.5	-0.5	0.5	-0.6
Shopping center	n/a	n/a	0.6	-0.5	0.5	-0.6
Residential/commercial development	-17.1	17.1	37.6	-34	29.3	-29.3
Office refurbishment	n/a		12.8	-11.2	8.4	-8.5
Hotel	n/a	n/a	1.2	-1.1	0.7	-0.8
Total	**-17.1**	**17.1**	**52.7**	**-47.3**	**39.4**	**-39.8**

6.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Please refer to Note 2.3 for information on the accounting methods.

The composition of the investments accounted for using the equity method is presented in the following table:

—

FINANCIAL INVESTMENTS

in € thousand	Note	12/31/2022	12/31/2021
Interests in associates	(A)	0	11
Interests in joint ventures	(B)	0	0
Balance as of 12/31		**0**	**11**

As a result of the impairment test performed in the year under review in accordance with IAS 36, among other things, the shares held in the associate GAM Retail Portfolio Holding GmbH amounting to €11 thousand were written down in full.

A. ASSOCIATES

In the past, the Group also held the interest in an associate that is immaterial in itself. The carrying amounts and the Group's share of the profit of this company are presented in the table below.

—

in € thousand	12/31/2022	12/31/2021
Carrying amount of financial investments accounted for using the equity method	0	11
Share of profit	0	0

There were no material contingent liabilities or financial obligations to associates accounted for using the equity method as of the reporting date.

B. JOINT VENTURES

The equity investments (reported as joint ventures) in the companies Projektentwicklung **Abraham-Lincoln-Straße** in Wiesbaden Beteiligungsgesellschaft mbH & Co. KG, Duesseldorf, Projektentwicklung am **Barmbeker Bahnhof** in Hamburg Beteiligungsgesellschaft mbH & Co. KG, Duesseldorf, Immobiliengesellschaft **Hutfiltern** in Braunschweig GmbH, Duesseldorf, and Projektentwicklung **Weender Straße** in Göttingen GmbH & Co. KG, Duesseldorf were transferred and deconsolidated in the first quarter of 2021 as part of the disposal of the Commercial Properties Development business area to the acquirers of the shares in Development Partner AG, Duesseldorf, effective March 16, 2021.

6.5 INVENTORIES

Please refer to Note 2.11 for information on the accounting methods.

The Group's inventories as of the reporting date consisted of the capitalized construction costs (including construction period interest) of inventory properties, which were measured entirely at amortized cost in accordance with Note 2.11. Construction period interest of €42,705 thousand (previous year: €31,110 thousand) was capitalized as the cost of inventories in the reporting period; these inventories are attributable to project financings in the basis of individual agreements with external lenders.

The total carrying amount of all inventory properties as of December 31, 2022 was €881,989 thousand (previous year: €747,189 thousand). The inventory properties mainly comprise Projektentwicklung Borussia Köln Deutz Quartiere, Cologne (€391,876 thousand), Storkower Straße 142–146 PE GmbH, Berlin (€108,817 thousand), Projektentwicklung Borussia Dresden Quartiere am Blüherpark, Dresden (€94,228 thousand), Revaler Straße 32 PE GmbH, Berlin (€85,494 thousand), and SKE Immo Sulzbach GmbH (S.à r.l.), Bereldange, Luxembourg (€54,748 thousand).

In 2022, possession, benefits and obligations were transferred in relation to the Leipzig site which had been acquired in 2021. The construction costs of the company Baufeld 23 Entwicklungs GmbH are capitalized as part of inventories.

—

in € thousand	12/31/2022	12/31/2021
Projektentwicklung Borussia Köln	391,876	360,836
Storkower Straße 142–146 PE GmbH	108,817	70,965
Projektentwicklung Borussia Dresden	94,228	87,072
Revaler Straße 32 PE GmbH	85,494	78,545
SKE Immo Sulzbach GmbH (S.à r.l.)	54,748	54,730
Beteiligungsgesellschaft Berlin Heinersdorf GmbH	37,290	35,329
Gateway Hamburg Seevestraße GmbH	37,257	35,151
Storkower Straße 140 PE GmbH	33,573	18,874
Soho Mannheim	23,824	0
Baufeld 23 Entwicklungs GmbH	8,569	0
Gateway Achtzehnte GmbH	6,309	5,687
Other	4	0
Total	**881,989**	**747,189**

Of the inventories, properties with a total carrying amount of €824,016 thousand (previous year: €657,308 thousand) were secured by mortgages as of the reporting date.

6.6 TRADE RECEIVABLES AND OTHER ASSETS

Please refer to Notes 2.9 and 2.10 for information on the accounting methods.

The trade receivables of €2,057 thousand (previous year: €665 thousand) primarily result from current rent receivables.

Other current assets mainly comprised the following items:

—

OTHER ASSETS

in € thousand	12/31/2022	12/31/2021
Other financial assets		
Loans – at amortized cost	160,910	140,555
thereof to related parties	126,820	96,652
Other receivables – at amortized cost	6,268	5,504
thereof to related parties	5,033	1,267
Equity investments – measured at FVtPL	2,607	2,607
Contract assets	1,068	959
Security deposits	135	67
Total	**170,988**	**149,692**
thereof non-current	5,946	24,541
thereof current	165,042	125,151
Other non-financial assets		
Other assets	67,351	67,483
Value added tax credits	4,384	2,295
Tenant incentives	2,234	2,428
Prepaid expenses	222	247
Total	**74,191**	**72,453**
thereof non-current	2,234	2,374
thereof current	71,957	70,079

The significant increase in other financial assets by €21,296 thousand compared to the prior year is mainly attributable to the increase in loan receivables, mainly due from related companies. The loan receivable and the receivables from costs incurred due from companies of the project development Leipzig 416 increased by €13,185 thousand to a total of €24,298 thousand.

Other non-financial assets in the amount of €66,906 thousand (previous year: €67,024 thousand) refer to the entitlement to transfer real property under a land purchase agreement that has been certificated by a notary public, but has not yet been fully executed. Upon further execution of the agreement, the item has to be transferred to the corresponding item in the statement of financial position. The small reduction arose following the purchase of Baufeld 10 and the associated reclassification to inventories.

6.7 CASH AND CASH EQUIVALENTS

Please refer to Note 2.12 for information on the accounting methods.

Cash and cash equivalents mainly consisted of overnight bank deposits and amounted to €8,951 thousand as of December 31, 2022 (previous year: €16,457 thousand).

As in the previous period, cash and cash equivalents were not subject to any restrictions, but are partially used as collateral for existing liabilities to banks (see Note 3.9).

6.8 NON-CURRENT ASSETS HELD FOR SALE

Please refer to Note 2.21 for information on the accounting methods.

At the beginning of the fiscal year, the item “Non-current assets held for sale” included the property of Gateway Fünfte GmbH, which was disposed of and transferred to the buyer during the year. Previously, the property had been measured using the realized sales price of €41,200 thousand.

All information presented here pertains to the Standing Assets segment. As in the comparative period, there were no intersegment transactions during the reporting period.

In the reporting period, measurement losses of €18,096 thousand (previous year: measurement gains of €67,688 thousand) were recorded in the statement of comprehensive income in the item “Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale”. Of that amount, measurement losses of €2,600 thousand (previous year: measurement gains of €5,281 thousand) were attributable to non-current assets held for sale. As in the previous year, these measurement gains entirely concern the property of Gateway Fünfte GmbH whose fair value was determined based on Level 2 in the fiscal year under review.

The following overview shows the development of property disposed of in the year under review and reported under non-current assets held for sale.

—

in € thousand	
Balance as of 01/01/2021	**54,150**
Subsequent costs	119
Changes in market value	5,281
Disposal through sale	–15,750
Balance as of 12/31/2021	**43,800**
Changes in market value	–2,600
Disposal through sale	–41,200
Balance as of 12/31/2022	**0**
Thereof fair value Level 2	**0**
Thereof fair value Level 3	**0**

In order to better estimate the effects from the disposal of held-for-sale assets on income and expenses from operating activities arising, the following significant amounts recognized in the statement of profit or loss only for the properties shown as assets held for sale are presented as follows:

—

in € thousand	**2022***	**2021**
Rental revenues	545	897
Revenues from operating costs	426	253
Revenues from cost charges to others and building cost subsidies	110	193
Administration costs (operating costs, maintenance, administration, etc.)	–1,023	–787
	58	**556**
Thereof fair value Level 3		556
Thereof fair value Level 2		

*Effect on earnings until date of disposal (July 29, 2022)

The operating expenses were incurred primarily for leased properties. The expenses allocable to vacant properties are of subordinate importance.

In accordance with International Valuation Standards, the fair values of investment properties are determined on the basis of the discounted cash flow procedure. Expected future rental surpluses from a property are discounted to present value at the valuation date by applying a market-appropriate, property-specific discount rate. Whereas net rents are usually applied in determining the rental revenues, operating expenses are incurred particularly from the management costs, which the owner is obligated to pay.

The table below shows the fair values of held-for-sale investment properties for which there was no sales contract as well as the principal assumptions applied for purposes of the above-mentioned valuation technique:

	2022	2021
Property	Zschochersche Straße 69 04229 Leipzig	
Type	Standing asset	
	Office/residential	
Rented space (usable area) in sqm	0	11,256
Vacant space in sqm	0	4,435
Initial vacancy rate in % (based on total space)	0	39.4
Achievable net basic rent (market rent) p.a. in € thousand (parking space included)	*0*	*1,926*
Achievable net basic rent (market rent) per sqm in €	0	14.26
Actually achieved net basic rent (contract rent) p.a. in € thousand (parking space included)	*0*	*916*
Actually achieved net basic rent (contract rent) per sqm in €	0	11.19
Fair value in € thousand	0	43,800
Fair value per sqm of rented space in €	0	3,891
Fair value per sqm of land area in €	n/a	n/a
Multiplier on market rent (market value: achievable net basic rent)	0	22.8
Multiplier on contract rent (market value: contractual net basic rent)	0	47.8
Valuation parameters:		
Average maintenance costs p.a. in €/sqm	0	9.06
Administrative expenses (in % of achievable rent)	0	1.5
Operating costs not chargeable (in % of achievable rent)	0	7.5
Discount rate in %	0	4.85
Capitalization interest rates in %	0	3.85
Multiplier in case of resale after ten years*	0	26.0
Incidental acquisition costs upon resale in %	0	4.75

*Multiplier not relevant due to high vacancy rate

We refer to the explanations in Note 6.3 as regards the fair value of the held-for-sale investment properties.

The following overview shows the distribution of the fair values by property class:

FAIR VALUES

in € million	2022	2021
Office/residential	0	43.8
Total	**0**	**43.8**

As part of the sensitivity analysis, key non-observable input factors were varied. This was done for the discount rate and the market rent. This had the following impact on the fair values for the determined property classes.

SENSITIVITY ANALYSIS

	12/31/2022			
	Discount rate		Market rent	
in € million	–0.25 %	0.25 %	5.0 %	–5.0 %
Office/ residential	0	0	0	0
Total	**0**	**0**	**0**	**0**

	12/31/2021			
	Discount rate		Market rent	
in € million	–0.25 %	0.25 %	5.0 %	–5.0 %
Office/ residential	3.2	–2.7	2.0	–2.0
Total	**3.2**	**–2.7**	**2.0**	**–2.0**

In the fiscal year 2021, the Commercial Properties Development business area, consisting of the subgroup Development Partner AG, meets the criteria under IFRS 5 for a classification as a discontinued operation. In this context, we also refer to Note 2.22.

6.9 EQUITY

Please refer to the above statement of changes in equity for a presentation of the development of equity.

As of December 31, 2022, the **share capital** remains unchanged at €186,764,040 (previous year: €186,764,040) and is divided into 186,764,040 (previous year: 186,764,040) no-par-value bearer shares with a notional value in the share capital of €1 per share. The following table shows the development of the number of shares outstanding:

NUMBER OF SHARES

	2022	2021
Shares outstanding as of January 1	186,764,040	186,764,040
Issue of new shares in connection with a business combination	0	0
Issue of new shares against cash payment	0	0
Balance as of December 31	186,764,040	186,764,040

The Management Board was authorized at the Annual General Meeting of August 22, 2018, to increase the Company's share capital, subject to the consent of the Supervisory Board, by up to a total of 84,892,745 new no-par-value bearer shares of GATEWAY against payment in cash and/or in kind on one or more occasions by up to €84,892,745 in the time until August 21, 2023 (Authorized Capital 2018/I). In 2019, the Management Board made partial use of this authorization. Accordingly, Authorized Capital 2018/I amounts to €67,914,196.

The Management Board is also authorized, with the approval of the Supervisory Board, to increase the share capital of the Company until August 20, 2024, once or several times, by up to a maximum total amount of €25,467,824.00 through the issue of up to 25,467,824 new no-par value bearer shares of the Company against contributions in cash and/or in kind (Authorized Capital 2019/i).

In addition, the share capital is conditionally increased by up to €93,382,020.00 by the issue of up to 93,382,020 new no-par value bearer shares with a proportionate amount of the share capital of €1.00 each (Conditional Capital 2019/i).

No actions with respect to the share capital were resolved during the reporting period.

The purpose of the **capital reserve** is to recognize share premiums that are paid during the issue of shares exceeding the nominal amount of subscribed capital. The capital reserve is negative in particular due to the adjustment of Development Partner's subscribed capital to the subscribed capital of GATEWAY as the legal acquirer as a result of the reverse acquisition in 2018. The capital increase executed in the fiscal year 2019 year and the associated share premium received led to a decrease of the negative balance of the capital reserve.

The capital reserve reported as of the reporting date is as follows:

—

in € thousand	2022	2021
Opening balance as of January 1	**–389,131**	**–389,131**
Proceeds from the issue of shares	0	0
Costs for the issue of shares	0	0
Reversal of capital reserve	0	0
Other	0	0
Closing balance as of December 31	**–389,131**	**–389,131**

The following **dividends** were resolved and paid by GATEWAY in the reporting period:

—

in € thousand	2022	2021
€0.00 per qualifying share (previous year: €0.00)	0	0

After the reporting date, the following dividends were proposed by the Management Board, subject to the consent of the Supervisory Board. The dividends were not recognized in the financial statements.

—

in € thousand	2022	2021
€0.00 per qualifying share (previous year: €0.00)	0	0

Retained earnings were recorded as part of Group equity and consist of earnings generated by the companies that are included in the consolidated financial statements.

6.10 FINANCIAL LIABILITIES

Please refer to Note 2.14 for information on the accounting methods.

Financial liabilities break down as follows:

—

in € thousand	12/31/2022	12/31/2021
Non-current financial liabilities		
Liabilities to banks	183,318	18,150
Liabilities to related parties	20,086	0
Liabilities to third parties	110,744	98,815
Liabilities to third parties from bonds	69,693	69,693
	383,841	**186,658**
Current financial liabilities		
Liabilities to banks	158,951	219,605
Liabilities to related parties	1,100	25,020
Liabilities to third parties	72,106	86,451
Liabilities to third parties from bonds	199,863	169,952
	432,020	**501,028**

The terms of the non-current financial liabilities in the amount of €383,841 thousand (previous year: €186,658 thousand) are longer than one year. They are collateralized in the amount of €263,325 thousand (previous year: €88,237 thousand) for the benefit of the lender by way of land charges on the properties underlying the financing.

The current financial liabilities have a remaining term of up to 12 months. They primarily include the current portion of the liabilities in connection with the acquisition of properties or the financing of the development projects. Current financial liabilities of €432,020 thousand (previous year: €501,028 thousand) are collateralized for the benefit of the lenders by way of land charges on the properties underlying the financing in the amount of €423,250 thousand (previous year: €459,874 thousand).

The majority of the loans are at fixed interest rates. Loans with a remaining value of €341,974 thousand as of December 31, 2022 (previous year: €219,063 thousand) are subject to a variable interest rate based on EURIBOR and EONIA. The interest rates in 2022 were between 1.5% and 20.0% for the loans from third parties, some of which are subject to variable interest rates and the majority of which is collateralized. We refer to Note 7.3 for details on the terms of the financial liabilities towards related companies.

There were no premiums and interest-free loans as of the reporting date. There were no payment delays in the reporting period. A loan agreement with the senior lender was breached due to the failure to extend a junior financing arrangement, which represents a termination event as defined in the continuing loan agreement. Other than that, there were no further breaches during the reporting year.

There were no financial liabilities denominated in foreign currencies as of the reporting date, and neither were there any interest rate swaps or other stand-alone derivative financial instruments as of the reporting date. We refer to Note 3.5 for information on the extent to which GATEWAY is exposed to interest rate, liquidity and financing risk.

6.11 TRADE PAYABLES AND OTHER PAYABLES

Please refer to Note 2.14 for information on the accounting methods. Trade payables amount to €154,466 thousand in the year under review (previous year: €162,565 thousand). They mainly refer to the residential project developments Borussia Köln Deutz Quartiere (€129,282 thousand).

As of the reporting date, the other financial liabilities break down as follows:

—

OTHER FINANCIAL LIABILITIES

in € thousand	12/31/2022	12/31/2021
Liabilities, non-controlling interests	754	742
Lease liabilities	282	616
Security deposits received	188	164
Contract liabilities	135	53
Other	27,022	26,467
thereof to related parties	14,824	10,045
	28,381	**28,042**
thereof non-current	1,144	1,130
thereof current	27,237	26,912

Contract liabilities exclusively comprise operating costs not yet invoiced.

The “Other” item comprises liabilities from the reimbursement of the purchase price already received as well as a contractual penalty in the amount of €20,100 thousand to the buyers (in equal parts IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG) in connection with the failed disposal of the three commercial properties development projects in Berlin (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH and Storkower Straße 142–146 PE GmbH) of the Commercial Properties Development business area. This item also includes a liability from the retention of the purchase price in the amount of €1,500 thousand of Augskor 2 GmbH (S.à r.l.) as well as a liability to Development Partner AG, Duesseldorf, from the still existing reimbursement claim towards the tax authorities in relation to capital gains taxes in the amount of €3,417 thousand.

As of the reporting date, the other current non-financial liabilities break down as follows:

—

OTHER NON-FINANCIAL LIABILITIES

in € thousand	12/31/2022	12/31/2021
Liabilities for personnel	1,032	511
VAT liabilities	63	205
Deferred income	21	155
Other	483	261
	1,599	**1,132**
thereof current	1,599	1,132

Additions to liabilities for personnel mainly result from the increase in liabilities for vacation by €197 thousand as well as the higher liabilities for wages and salaries, which were up €331 thousand.

We refer to Note 3.7 for information on liquidity risks of GATEWAY as regards trade payables as well as other liabilities.

6.12 DEFERRED TAXES

Please refer to Note 2.15 for information on the accounting methods.

Deferred tax liabilities of €46,370 thousand (previous year: €53,552 thousand) and deferred tax assets of €10,270 thousand (previous year: €12,202 thousand) are presented in the statement of financial position at the reporting date.

DEFERRED TAX ASSETS

Deferred tax assets were recognized in respect of tax loss carryforwards and deductible temporary differences in the following items of the statement of financial position:

—

DEFERRED TAX ASSETS

in € thousand	2022	2021
Assets		
Property, plant and equipment	53	0
Non-current assets	68	0
Inventories	7,737	5,336
Other financial assets	74	2,865
Other non-financial assets	26	52
Liabilities		
Non-current financial liabilities	178	9
Current financial liabilities	164	1,572
Other current financial liabilities	52	114
Other non-current financial liabilities	46	85
Trade payables	5	19
Tax loss carryforwards	6,173	3,993
Sub-total of deferred tax assets	14,576	14,045
Netting with deferred tax liabilities	–4,306	–1,843
Total	**10,270**	**12,202**

The change in the balance of deferred tax assets is fully recognized through profit or loss.

No deferred tax assets were recognized in respect of temporary differences amounting to €1,077 thousand (previous year: €1,101 thousand) because it is not probable that a taxable profit against which the deductible temporary differences can be applied will be available in the future. Deferred tax assets totaling €5,427 thousand were recognized as of December 31, 2022 in relation to companies that suffered a tax loss in either the reporting year or the previous year.

The recoverability of these deferred tax assets results from taxable temporary differences at the level of the respective Group entity.

Corporate income tax loss carryforwards of €57,935 thousand (previous year: €49,636 thousand) and local trade tax loss carryforwards of €58,169 thousand (previous year: €40,228 thousand) existed within the Group at the reporting date. No deferred tax assets were recognized for corporate income tax loss carryforwards in the amount of €34,036 thousand (previous year: €32,823 thousand) and local trade tax loss carryforwards €40,288 thousand (previous year: €30,775 thousand) as their future utilization is not more likely than not. The loss carryforwards can be carried forward without restriction, as a general rule.

DEFERRED TAX LIABILITIES

Deferred tax liabilities were recognized in respect of temporary differences in the following items of the statement of financial position:

—

DEFERRED TAX LIABILITIES

in € thousand	2022	2021
Assets		
Property, plant and equipment	0	175
Non-current assets	38,773	39,939
Other non-current financial assets	659	648
Other non-financial assets	3,239	0
Inventories	6,407	2,495
Non-current assets held for sale	0	6,825
Current assets	30	306
Liabilities		
Non-current financial liabilities	0	1,589
Current financial liabilities	1,542	3,375
Other liabilities	26	43
Sub-total of deferred tax liabilities	50,676	55,395
Netting with deferred tax assets	–4,306	–1,843
Total	**46,370**	**53,552**

The change in the total excess of deferred tax liabilities (€36,100 thousand) over the previous year (€41,322 thousand) in the amount of €5,222 thousand is recognized through profit or loss in the amount of €5,222 thousand.

In accordance with IAS 12.39, no deferred tax liabilities were recognized for differences between the IFRS carrying amounts of shares in subsidiaries and the tax base of these shares (so-called outside basis differences) in the amount of €29,734 thousand (previous year: €13,645 thousand) since these differences will not reverse in the foreseeable future.

6.13 REVENUE

Please refer to Note 2.16 for information on the accounting methods.

The Group generated revenues of €10,331 thousand in the period from January 1 to December 31, 2022 (previous year. €22,380 thousand). GATEWAY mainly generated revenue in the year under review from the rental of inventory properties and investment properties and the provision of services. In the previous year, revenue were also generated from the sales of inventory properties. Operating cost settlements and building subsidies received are other income sources. Specifically, revenues break down as follows:

—

in € thousand	2022	2021
Rental revenues in accordance with IFRS 16		
Rental revenues from investment properties	4,869	4,956
Rental revenues on inventory properties	580	1,229
Rental revenues from IFRS 5 properties	545	897
Rental revenues from sub-letting	6	8
	6,000	**7,090**
Revenue in accordance with IFRS 15		
Revenues from operating costs	2,750	2,904
Revenues from services	1,032	443
Revenues from operating costs – IFRS 5 properties	426	253
Revenues from cost charges to others and building cost subsidies	123	296
Revenues from the sale of inventory properties	0	11,226
	4,331	**15,290**
thereof over time	4,207	12,624
thereof at a point in time	124	2,666
Total	**10,331**	**22,380**

Of the overall revenues, €4,331 thousand (previous year: €15,290 thousand) fall under the scope of IFRS 15 and €6,000 thousand (previous year: €7,090 thousand) fall under the scope of IFRS 16.

Revenues from services include newly concluded business management agreements. With respect to revenues under the scope of IFRS 15, with the exception of revenues from services, forward sales and operating costs not yet charged, revenue is recognized at a certain point in time. In contrast, revenues related to associates and joint ventures are mainly recognized over time.

The rental revenues on inventory properties and investment properties do not fall under the scope of IFRS 15 and therefore no revenue recognition was carried out over time, but only revenue recognition in the period in which it accrues.

The following table presents information about receivables, contract assets and contract liabilities from contracts with customers.

—

in € thousand	12/31/2022	12/31/2021
Contract assets	1,068	959
Contract liabilities	135	53

In the year under review, contract assets include operating costs for 2021 not yet charged (€1,162 thousand), reduced by advance payments received (€135 thousand), as well as project development costs not yet charged for the Biotechpark project in Berlin (€41 thousand). Realization is expected to occur in the following year. Contract assets are reclassified to receivables when the rights become unconditional. As a rule, this is the case when GATEWAY issues an invoice to its customers.

The contract assets as of December 31, 2022, amount to €1,068 thousand (previous year: €959 thousand) and are reported in the current item “Other financial assets”. We refer to Note 6.11.

Contract liabilities exclusively comprise advance payments for operating costs not yet invoiced.

Contract liabilities amount to €135 thousand as of December 31, 2022 (previous year: €53 thousand). The contract liabilities are reported in the current item “Other financial liabilities”. We refer to Note 6.11.

6.14 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

The changes in inventories of finished goods and work in progress relate to the capitalized production costs for the inventory properties, which include €42,705 thousand (previous year: €31,214 thousands) in capitalized interest on borrowed capital. The major changes in inventories arise from the companies Revaler Straße 32 PE GmbH (€6,949 thousand), Storkower Straße 140 PE GmbH (€12,811 thousand), Storkower Straße 142–146 PE GmbH (€38,106 thousand) as well as from the project developments Dresden Blüherpark Quartiere (€8,208 thousand), Köln Deutz Quartiere (€33,364 thousand) and SoHo Mannheim (€10,392 thousand).

Overall, changes in inventories amount to €112,420 thousand (previous year: €73,589 thousand).

—

in € thousand	2022	2021
Increase in inventory due to purchase of properties, construction activity and capitalization of interest on borrowed capital	112,420	73,589
	112,420	**73,589**

6.15 RAW MATERIALS AND CONSUMABLES USED

The reported raw materials and consumables used primarily comprise the acquisition costs for land, and the production costs for the inventory properties. This item breaks down in detail as follows:

—

in € thousand	2022	2021
Land	5,224	10,326
Construction costs	44,985	29,497
Project development costs	12,422	8,681
Other ancillary construction costs	9,325	2,332
Administration costs	7,469	5,953
	79,425	**56,789**

The significant increase in expenses for construction costs is primarily attributable to increased construction activities in relation to the companies Storkower Straße 140 PE GmbH (€8,514 thousand) as well as Storkower Straße 142–146 PE GmbH & Co. KG (€29,341 thousand).

Other ancillary construction costs rose by €6,993 thousand to €9,325 thousand in the reporting year. A significant increase in ancillary construction costs (€2,655 thousand compared to €51 thousand in the previous year) was incurred at the Cologne project development. Other material ancillary construction costs of €3,499 thousand (previous year: €1,194 thousand) are attributable to the company Storkower Straße 142–146 PE GmbH & Co. KG as a result of the above-mentioned construction activities.

6.16 EMPLOYEE BENEFITS EXPENSE

Besides the members of the Management Board, the Group had 25 (previous year: 22) employees as of the end of the reporting period and 27.25 (previous year: 25.75) employees on average for the year. The employee benefits expense incurred are broken down as follows:

—

in € thousand	2022	2021
Wages and salaries	4,746	6,580
Valuable benefits and contributions to capital formation	7	99
Social security contributions and pensions	415	416
	5,168	**7,095**

About half of the employer's share of statutory social insurance consists of contributions to the statutory pension insurance system. The disposal of Development Partner AG also affected employee benefits expense.

6.17 OTHER OPERATING INCOME AND EXPENSES

Other operating income includes the following amounts:

—

in € thousand	2022	2021
Capitalization	12,865	2,974
Income from insurance benefits	355	322
Income from the reduction of liabilities	247	676
Other prior-period income	95	13
Income from deconsolidation	0	28,087
Own work capitalized	0	170
Income from the reversal of specific valuation allowances	0	140
Other in-kind benefits charged, motor vehicle 19%	0	30
Other	642	133
	14,204	**32,545**

Other operating income in the year under review mainly includes capitalization of bond interest for the purchase of land for the SoHo Mannheim project development, which has not yet been fully completed. In the prior year, income from deconsolidation in the amount of €28,087 thousand resulted from the deconsolidation of the companies of the Commercial Properties Development business area.

Other operating expenses include the following amounts:

—

in € thousand	2022	2021
Legal and consulting expenses	1,756	2,642
Selling expenses	1,223	1,926
Accounting, financial statements and auditing expenses	929	1,017
Payment transaction costs and other financing expenses	916	907
Expenses for insurance, premiums and dues	610	759
Non-deductible input tax	417	827
Other tax expenses	292	134
Specific valuation allowances and bad debt losses	284	74
Prior-period expenses	257	456
Travel expenses	252	180
IT expenses	189	224
Remuneration of the Supervisory Board	124	130
Contractual penalties	0	16,000
Losses from the disposal of financial investments	0	132
Other project development costs that cannot be capitalized	0	122
Other	1,385	648
	8,634	**26,178**

Selling expenses include property-related selling expenses in the amount of €662 thousand (previous year: €206 thousand), advertising expenses in the amount of €112 thousand (previous year: €83 thousand), and agency fees of €448 thousand (previous year: €1,637 thousand).

The contractual penalty from 2021 in the amount of €16,000 thousand has to be paid to the buyers (in equal parts IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG) from the sale of the shares of the Commercial Properties Development segment.

6.18 NET FINANCE COSTS

Net finance costs can be broken down as follows:

—

in € thousand	2022	2021
Finance income	8,340	6,828
Finance costs	–60,584	–42,010
Interest expenses for leases	–15	–33
Third party profit or loss shares	–12	92
	–52.271	**–35,123**

Finance income mainly results from the origination of debt to related companies of the Group. Please refer to Note 7.3 for details on these loans.

In contrast, the finance costs predominantly include interest on borrowings to finance the development projects. An amount of €42,705 thousand (previous year: €35,011 thousand) of these finance costs was capitalized in the reporting period (see Note 6.14).

6.19 INCOME TAX EXPENSE

Please refer to Note 2.15 for information on the accounting methods.

Companies resident in Germany with the legal form of a corporation are subject to corporate income tax of 15%, the solidarity surtax of 5.5% of the standard corporate income tax, and local trade tax, the amount of which depends on locally specific assessment rates. Commercially operating or predominantly commercial enterprises with the legal form of an unincorporated partnership are only subject to the local trade tax. For purposes of taxation based on corporate income tax, the tax result is directly attributed to the shareholder.

The expected nominal income tax rate for the Group's parent company Gateway Real Estate AG in 2022 is 30.175% (previous year: 30.175%) and is calculated as follows:

—

in %	2022	2021
Corporate income tax	15.0	15.0
Solidarity surcharge	0.825	0.825
Local trade tax rate	14.35	14.35
Tax rate	**30.175**	**30.175**

Income taxes are calculated on the basis of the tax regulations applicable to each Company. The tax expense/income presented in the statement of comprehensive income mainly consists of deferred income taxes:

—

in € thousand	2022	2021
Current income taxes	2,998	3,647
Deferred income taxes	–5,222	11,808
For temporary differences	–436	10,850
For tax loss carryforwards	–2,180	4,830
From consolidation	–2,606	–3,872
Tax expense/income	**–2,224**	**15,455**

The current income taxes for the 2022 fiscal year were influenced by tax income from prior years in the amount of €273 thousand (previous year: tax expense of €196 thousand). The deferred tax income of €5,222 thousand (previous year: deferred income tax expenses of €11,808 thousand) is composed of income from the change in deferred tax assets in respect of loss carryforwards in the amount of €2,180 thousand (previous year: expense of €4,830 thousand), the decrease in netted deferred tax liabilities in respect of temporary differences in the amount of €436 thousand (previous year: increase of the balance by €10,850 thousand), and a deferred tax income in respect of consolidation issues in the amount of €2,606 thousand (previous year: €3,872 thousand).

A reconciliation of tax expenses/income is presented in the table below:

—

in € thousand	**2022**	**2021**
Profit before tax	–33,891	70,156
Tax rate in %	30,175	30,175
Expected tax expense	–10,227	21,170
Tax effects on		
Tax rate differences	2,404	–1,687
Change of permanent differences	2,127	–10,743
Taxes prior years	917	–1,950
Tax-exempt income and non-tax-deductible expenses	–101	–589
Local trade tax corrections	1,712	1,233
Change in the non-recognition of deferred tax assets in respect of loss carryforwards and use of non-recoverable loss carryforwards from prior years	1,134	7,031
Changes in the non-recognition of deferred tax assets in respect of asset differences	–25	1,086
Other	–165	–96
Actual tax expenses (+) or tax income (–)	**–2,224**	**15,455**

Based on the actual income taxes, the effective tax rate for the fiscal year is 6.6% (previous year: 22.0%).

The tax rate differences concern, besides different local tax rates of various Group companies, primarily the fact that domestic income of foreign corporations is exempt from trade taxes. The change in permanent differences includes in particular a goodwill impairment which did not result in any income from deferred taxes. The local trade tax corrections relate in particular to the addition of finance costs at the level of individual companies.

6.20 LEASES

Please refer to Note 2.18 for information on the accounting methods.

A. LEASES AS LESSEE (IFRS 16)

GATEWAY rents office space in the locations of Frankfurt am Main and Berlin. The terms of the lease agreements range from two to five years. Several of the underlying rental payments are linked to price indices.

Furthermore, the Group has sublet a part of the rented office space in Berlin. The sublease agreement was entered into on February 1, 2021. The sublease was classified as an operating lease from the lessor's perspective and the lease payments were recognized as income.

GATEWAY has leased one motor vehicle. The term of the lease agreements for the motor vehicle is three years. There are no extension options and the lease agreement contains fixed lease payments.

GATEWAY also rents a part of the IT equipment in use. If the underlying contractual relationships are not classified as short-term leases or as a low-value asset, right-of-use assets and lease liabilities are recognized. The contractual term of printers and multi-mode devices is five years and the lease agreement contains fixed lease payments.

Information about leases with the Group as lessee are presented in the following.

a) Right-of-use assets

Right-of-use assets that do not meet the definition of investment properties are presented as part of property, plant and equipment (see Note 6.2).

—

in € thousand	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2021	**263**	**2,085**	**50**	**2,398**
Depreciation in the fiscal year	16	645	7	668
Additions to right-of-use assets	0	342	0	342
Disposals of right-of-use assets	0	0	0	0
Disposals arising from changes to the scope of consolidation	239	1,604	36	1,879
Balance as of 12/31/2021	**8**	**178**	**7**	**193**
Depreciation in the fiscal year	7	178	4	189
Additions to right-of-use assets	0	0	0	0
Disposals of right-of-use assets	0	0	0	0
Impairment losses	1	0	3	4
Balance as of 12/31/2022	**0**	**0**	**0**	**0**

The right-of-use asset for the office building in Frankfurt am Main was fully written off due to the relocation of management to Berlin in 2021 and the associated lack of benefit for GATEWAY as well as the limited other alternative uses. However, the lease liability remains as before.

b) Amounts recognized in profit or loss

—

in € thousand	2022	2021
Leases in accordance with IFRS 16		
Interest expenses for lease liabilities	–15	–33
Income from subleases of right-of-use assets, presented in revenue	6	8
Expenses for short-term leases	–6	–1
Expenses for leases of low-value assets	0	–5
Depreciation of right-of-use assets	–11	–668

c) Amounts recognized in the cash flow statement

—

in € thousand	2022	2021
Total cash outflows for leases	–348	–431

d) Extension options

As of the reporting date, there are no lease agreements subject to extension options the exercise of which has a material effect on lease liabilities.

e) Future leases

The Group did not enter into a lease after the end of the reporting period.

B. LEASES AS LESSOR (IFRS 16)

GATEWAY acts as the lessor within the context of properties held as inventory properties and investment properties. In case of the inventory properties, this refers to the lease termination phase and lease agreements already entered into in relation to buildings under construction. Note 6.3 includes information on investment properties. The Group classifies these leases as operating leases since not substantially all the risks and rewards of ownership are transferred.

The Group recorded lease income in the amount of €6,000 thousand (previous year: €7,090 thousand) in the reporting period.

The following table presents a maturity analysis of future lease receivables and shows the undiscounted lease payments to be received after the reporting date.

—

in € thousand	2022	2021
Operating leases in accordance with IFRS 16		
Less than one year	3,670	5,030
One to two years	2,977	4,237
Two to three years	1,785	3,895
Three to four years	1,652	2,558
Four to five years	1,395	2,445
More than five years	9,135	13,003
Total	**20,615**	**31,168**

The Group has been taking comprehensive measures to minimize the risks arising from the rented properties. Initially, GATEWAY seeks to minimize the risk of loss of rental income through a prudent selection of contracting parties. In addition, the usual hedging instruments are used, such as rent deposits or guarantees. Potential bad debts are addressed through a structured receivables management process. With regard to the risk of loss of rental income, the Management Board assumes a possible probability of occurrence and, if it does occur, expects a low financial impact. Please refer to Chapter 3.2.1 of the Group management report.

7. OTHER DISCLOSURES

7.1 EARNINGS PER SHARE

The basic earnings per share are as follows:

—

in €	2022	2021
Earnings per share	**–0.17**	**0.27**

As in the prior year, there were no potentially diluting equity instruments such as stock options at the reporting date. The basic earnings per share is calculated as the quotient of the profit attributable to the shareholders of the parent company and the average number of shares outstanding during the fiscal year as follows:

A. ATTRIBUTION OF PROFIT TO COMMON SHAREHOLDERS (BASIC)

—

in € thousand	2022	2021
Profit attributable to owners of the parent company	–32,622	50,914
Profit attributable to holders of common shares	–32,622	50,914

The average number of shares is calculated as follows:

B. WEIGHTED AVERAGE OF COMMON SHARES (BASIC)

—

in thousands of shares	2022	2021
Common shares outstanding as of January 1	186,764	186,764
Common shares issued in connection with a capital increase in April 2019	0	0
Common shares outstanding as of December 31	186,764	186,764
Weighted average number of common shares as of December 31	**186,764**	**186,764**

7.2 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As of December 31, 2022, the Group has contingent liabilities with respect to order commitments.

Contingencies generally occur in the form of interest guarantees, rent deposit guarantees, cost overrun guarantees, comfort letters, partial releases from liability of co-shareholders and bank guarantees.

The following section is a description of the contingencies existing in the year under review:
From rental guarantees
In the context of the rental agreement for office space in the object The Squaire, Am Flughafen, 60549 Frankfurt am Main, Gateway Real Estate AG, as tenant, committed to the landlord to provide a rental security deposit in the form of a bank guarantee in the amount of €57 thousand. For this purpose, the guaranteeing bank granted to Gateway Real Estate AG a guarantee credit in the corresponding amount.

From guarantees
Gateway Real Estate AG and PRS Family Trust GmbH had purchased a portfolio of three commercial properties in the past as part of a joint venture. The purchase of one of these properties was financed via Raiffeisenbank Höchberg eG. The borrower of Raiffeisenbank Höchberg eG is solely PRS Family Trust GmbH. However, Gateway Real Estate issued a guarantee in the amount of €10 million to Raiffeisenbank Höchberg eG. Gateway Real Estate AG assumes that PRS Family Trust GmbH is able to meet its obligations from the loan agreement entered into with Raiffeisenbank Höchberg eG.

Guarantee facility agreements (e.g. debt servicing guarantee/letters of comfort, warranties etc.)
On July 8, 2021, the Group acquired a plot of land in Leipzig, primarily for residential development purposes. To this end, as of the same date, the Group concluded a purchase agreement with Imfarr Beteiligungs GmbH ("Imfarr") and SNBH for the acquisition of their shares (Imfarr 50% each, SNBH 39.9% each, together 89.9% each) in Virtus Sechsundzwanzig Beteiligungs GmbH and Baufeld 23 Entwicklungs GmbH. The purchase price amounts to around €54,000, with simultaneous assumption of the proportionate net liability from loans in a nominal amount of around €255.0 million, plus interest incurred, and originally was subject to conditions precedent.

By way of a notarial amendment dated April 13, 2022, the closing date initially scheduled for April 2022 was postponed to November 30, 2022. After the Company declared its withdrawal from the purchase agreement on November 1, 2022 and once again on November 30, 2022, the transaction was not completed.

The above-mentioned loan was originally intended to be refinanced from the closing of the purchase agreement and, as a result of the delay, was also extended until approximately November 2022.

In connection with the prolongation of the loan, the Group was requested to create liens on the shares and receivables relating to its wholly-owned subsidiary SKE Immo Sulzbach GmbH, Luxembourg, as collateral for the loan and in particular for the prolongation.

However, the obligation to assume the proportionate net loan liability thus ceased to apply as of the reporting date. The collateral provided for the loan remains in place.

The order commitment for investment projects amounts to €88,313 thousand (previous year: €29,154 thousand). Realization is expected to occur in the following year.

In the fiscal year 2022, right-of-use assets and lease liabilities were accounted for in accordance with IFRS 16. We refer to Notes 6.20 and 2.2.

7.3 MATERIAL TRANSACTIONS WITH RELATED PARTIES

A. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

On May 7, 2020, SN Beteiligungen Holding AG, Switzerland, sold all of its shares in the Company to Norbert Ketterer. In this context, Norbert Ketterer notified the Company that his share of voting rights in Gateway Real Estate AG on May 7, 2020 amounted to 66.24%, with 66.19% of the voting rights being directly held and 0.05% of the voting rights representing voting rights attributed to him. Since May 7, 2020, Norbert Ketterer personally is the controlling majority shareholder and the controlling company within the meaning of Section 312 AktG.

On April 22, 2022, Norbert Ketterer submitted to Gateway Real Estate AG the formal request pursuant to Section 327a (1) sentence 1 of the German Stock Corporation Act (AktG) that the Annual General Meeting of Gateway Real Estate AG shall resolve to transfer the shares of the remaining shareholders (minority shareholders) to Norbert Ketterer against payment of an appropriate cash settlement (so-called squeeze-out under stock corporation law).

According to the most recent relevant notification of voting rights, Norbert Ketterer, Switzerland, holds a total of 94.72% of the Company's voting rights. Therefore, Norbert Ketterer is the main shareholder within the meaning of Section 327a (1) sentence 1 AktG.

SN Beteiligungen Holding AG, Switzerland, has to remain classified as a related company as it is also controlled by Norbert Ketterer.

B. COMPENSATION OF MEMBERS OF KEY MANAGEMENT PERSONNEL

The members of the Supervisory Board and the Management Board of GATEWAY are the key management personnel within the meaning of IAS 24.9. The compensation of the active members of the Management Board comprises:

—

in € thousand	2022	2021
Short-term benefits	1,416	1,489
	1,416	**1,489**

The benefits exclusively refer to non-performance-related compensation components and include, in terms of the Management Board compensation, a fixed compensation as well as fringe benefits. As in the comparative period, the members of the Management Board were not granted any advances or loans in the reporting period.

The members of the Supervisory Board exclusively receive a fixed compensation and received a compensation of a total of €130 thousand (previous year: €130 thousand) in the current fiscal year.

The members of the Supervisory Board were not granted any advances or loans in the reporting period. For further information, we refer to the remuneration report.

C. TRANSFER OF SHARES BY RELATED COMPANIES IN THE FISCAL YEAR

Disposal of the Commercial Properties Development business area
(transaction with YN Beteiligungen Holding AG)

Gateway Real Estate AG sold all the shares in Development Partner AG, Duesseldorf, by way of a share purchase and transfer agreement dated February 3, 2021. The acquirers are, at equal shares, IMFARR Beteiligungs GmbH, Austria, and YN Beteiligungen Holding AG. 50% of the purchase price for the shares attributable to YN Beteiligungen Holding AG, Switzerland, amounted to €47.35 million and was increased by €0.9 million to €48.2 million due to a contractual supplement dated March 16, 2021. An amount of €19.8 million of the purchase price were paid on the closing date. The remaining purchase price in the amount of €28.4 million was deferred until March 31, 2022 and bore interest at a rate of 4.25%. The current interest rate amounts to 8.5% as specified in the purchase agreement. The receivables, including interest, due from YN Beteiligungen Holding AG, Switzerland, total €31.2 million as of December 31, 2022.

As a result of the 50% control exercised by the related company YN Beteiligungen Holding AG, Switzerland, these loans also have to be classified as related party transactions. The carrying amount of the still existing loan receivables due to Development Partner AG, Duesseldorf, and its subsidiaries set out below amounts to €69.3 million as of December 31, 2022.

The loans break down as follows as of December 31, 2022:

—

Date of contract	Borrower/related party	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
01/13/2020	Development Partner AG, Duesseldorf	8,048	4.25	9,060	12/31/2023
05/13/2019	Development Partner AG, Duesseldorf	960	2.00	1,035	12/31/2023
12/15/2021	Development Partner AG, Duesseldorf	10,800	4.25	11,278	12/31/2023
09/13/2021	Development Partner AG, Duesseldorf	7,800	4.25	8,202	12/31/2023
01/01/2020	Development Partner AG, Duesseldorf	13,154	4.25	14,832	12/31/2023
01/01/2021	Development Partner AG, Duesseldorf	6,592	4.25	7,153	12/31/2023
01/14/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	8,501	4.25	9,571	12/31/2023
09/18/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	535	4.25	584	12/31/2023
01/28/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	50	4.25	56	12/31/2023
09/27/2019	Projektentwicklung Campus Park München, Duesseldorf	1,175	4.25	1,512	12/31/2023
10/09/2019	Projektentwicklung Campus Park München, Duesseldorf	2,380	4.25	2,617	12/31/2023
05/17/2019	Projektentwicklung Technologiecampus Großraum Stuttgart GmbH, Duesseldorf	3,980	2.00	4,309	12/31/2023

In addition, there is a liability to DP AG resulting from the still existing reimbursement claim towards the tax authorities in relation to capital gains taxes in the amount of €3.4 million. Another liability in the amount of €1.0 million results from the profit and loss transfer agreement existing until February 28, 2021.

Due to the fact that the compensation of net profit for the period from January 1 to February 28, 2021 was contractually agreed between YN Beteiligungen Holding AG and the additional buyer, there is a receivable from the buyers, which they owe in equal parts.

Moreover, advance payments of €2 million was already made by YN Beteiligungen Holding AG as of the closing date for the originally planned sale of the shares in the three commercial properties development companies in Berlin. Due to the reversal of the sale as a result of the lack of shareholder approval, these advance payments are now reported as other financial liabilities. Furthermore, 50% of the associated contractual penalty of €16.0 million, which was recorded as a liability, is also attributable to YN Beteiligungen Holding AG, Switzerland, and will also be reported under other financial liabilities.

Purchase of Borussia Development GmbH (transaction with SN Beteiligungen Holding AG)
Based on a share purchase agreement dated February 17, 2021, all of the shares in Borussia Development GmbH (previously Gerch Invest GmbH) were acquired from the related company SN Beteiligungen Holding AG, Switzerland. With an equity interest of 89.9%, Gateway Real Estate AG has been the indirect controlling shareholder of Borussia Dresden Quartiere am Blüherpark (previously Gerchgroup Dresden Quartiere am Blüherpark) 1–12 UGs (UG 1–8 transformed into a German limited partnership (GmbH & Co. KG), Borussia Dresden Investment UG and Borussia Dresden Einkaufs GbR as well as of Borussia Köln Deutz Quartiere (previously Gerchgroup Köln Deutz Quartiere) 1–21 UGs, Borussia Köln Deutz Quartiere Erschließungs UG and Borussia Köln DQ Einkaufs GbR since that date and consolidated these companies for the first time as of February 18, 2021. The agreed purchase price in the amount of €70 million was deferred until March 31, 2022 (interest rate: 4.25%). Moreover, the deferral of the liability outstanding as of the reporting date was extended to February 29, 2024.

As of December 31, 2022, the outstanding purchase price liability of Gateway Real Estate AG to SN Beteiligung Holding AG, Switzerland, for the acquisition of the project Borussia Köln (originally €56 million) has a carrying amount of €46.8 million, plus interest in the amount of €4.1 million. In contrast, the purchase price liability for the acquisition of the project Borussia Dresden in a total amount of initially €14 million, including interest, was fully repaid in the first quarter of 2022 to SN Beteiligungen Holding AG, Switzerland.

—

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2022 in € thousand	Outstanding amount as of December 31, 2021 in € thousand	End of contract term
SN Beteiligungen Holding AG, Switzerland						
02/18/2021	Gateway Real Estate AG, Frankfurt am Main	14,000	4.25	0	5,761	03/02/2022
02/18/2021	Gateway Real Estate AG, Frankfurt am Main	56,000	4.25	50,919	58,063	02/29/2024
Total				**50,919**	**63,824**	

The following project-related loan liabilities due to the related company SN Beteiligungen Holding AG, Switzerland, were assumed in connection with the acquisition of Borussia Development GmbH from the related company SN Beteiligungen Holding AG, Switzerland:

—

Borrower	Project	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
Borussia Development GmbH, Duesseldorf	Cologne Deutz	1.992	10,00	2.506	02/29/2024
Borussia Development GmbH, Duesseldorf	Cologne Deutz	4.109	10,00	5.391	02/29/2024
Borussia Development GmbH, Duesseldorf	Dresden	8.606	10,00	10.475	02/29/2024
Borussia Development GmbH, Duesseldorf	Dresden	1.341	10,00	1.714	02/29/2024

These project financings are passed through to the project companies Borussia Dresden Quartiere am Blüherpark 1–12 for the Dresden project and to Borussia Köln DQ 1–21 for the Cologne project at an interest rate of 10.5%.

Moreover, the project financing for the Cavallo Duesseldorf project (which was already redeemed in 2021 after offsetting loan receivables and loan liabilities) was passed through to the non-Group companies Borussia Düsseldorf Cavallo 1 UG haftungsbeschränkt, Duesseldorf, and Borussia Düsseldorf Cavallo 2 UG haftungsbeschränkt, Duesseldorf, at an interest rate of 10.5%. The loan receivable remaining after offsetting on December 31, 2021, amounts to €1.92 million as of December 31, 2022. Both companies are controlled by SN Beteiligungen Holding AG, Switzerland, and are therefore classified as related parties.

The outstanding loan receivables of Borussia Development GmbH, Duesseldorf, due from the two companies are broken down as follows as of December 31, 2022:

—

Borrower	Project	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
Borussia Cavallo 1 UG, Duesseldorf	Cavallo Duesseldorf	1,992	10.50	1,314	12/31/2022
Borussia Cavallo 2 UG, Duesseldorf	Cavallo Duesseldorf	4,109	10.50	608	12/31/2022

Purchase of Leipzig 416 project (transaction with SN Beteiligungen Holding AG)
On July 8, 2021, the Company acquired a plot of land in Leipzig, primarily for residential development purposes. To this end, the Company concluded a purchase agreement on the same date with IMFARR Beteiligungs GmbH and SN Beteiligungen Holding AG, Switzerland, for the acquisition of their shares (IMFARR Beteiligungs GmbH 50% each, SN Beteiligungen Holding AG 39.9% each, together 89.9% each) in Virtus Sechsundzwanzig Beteiligungs GmbH and Baufeld 23 Entwicklungs GmbH. The purchase price amounts to around €54,000, including the concurrent acquisition of the proportionate loan liabilities in the amount of approx. €210 million. The acquisition of Baufeld 23 Entwicklungs GmbH was completed as of April 19, 2022.

In contrast, the closing of the purchase of shares in Virtus Sechsundzwanzig Beteiligungs GmbH initially remained subject to conditions precedent and was scheduled for November 2022.

Gateway Real Estate AG withdrew from the agreement to acquire shares in Virtus Sechsundzwanzig Beteiligungs GmbH by letters dated November 3, 2022 and November 20, 2022.

In the context of the project acquisition, Gateway Real Estate AG, for its part, granted loans to the company to be acquired and its subsidiaries. As of December 31, 2022, the carrying amounts of the receivables amounted to €22.4 million and are composed of as follows:

—

Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
Leipzig 416 GmbH	11,867	4.25	12,369	12/31/2022
Leipzig 416 Management GmbH	8,669	4.25	9,070	12/31/2022
Virtus 26 Beteiligungs GmbH	925	4.25	983	12/31/2022

In addition, Gateway AG assumed a liability from Leipzig 416 GmbH in the amount of €1.875 million, which resulted in a corresponding increase of the receivable from Leipzig 416 GmbH.

D. OTHER RELATED PARTIES

The Group has significant relations to other related parties. Above all, financing via other related companies is a key source of financing. For this reason, the following table includes the key information for each loan taken out. As in the previous year, no collateral was provided for these loans.

—

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2022 in € thousand	Outstanding amount as of December 31, 2021 in € thousand	End of contract term
SN Beteiligungen Holding AG, Switzerland						
12/16/2021	Gateway Real Estate AG, Frankfurt am Main	6,500	8.00	0	6,520	02/28/2022
12/28/2022	Gateway Real Estate AG, Frankfurt am Main	1,100	4.25	1,100	0	12/31/2023
Total				**1,100**	**6,520**	

The loan granted in the amount of €6.6 million, including interest, in connection with the acquisition of Gateway Hamburg Seevestraße GmbH (formerly Maize Zizania Property GmbH) was fully repaid in the first quarter of 2022.

Effective December 28, 2022, SN Beteiligungen Holding AG, Switzerland, provided a loan for operating purposes in the amount of €1.1 million. The loan bears interest at a rate of 4.25%.

Gateway Real Estate AG passed on an amount of €1.3 million of the costs incurred for the initial public offering in 2019 to SN Beteiligungen Holding AG, Switzerland. These receivables remain outstanding as of December 31, 2022.

The Group has the following interest-bearing receivables due from other related companies: As in the previous year, no collateral was provided for these loans.

—

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2022 in € thousand	Outstanding amount as of December 31, 2021 in € thousand	End of contract term
Gateway Real Estate AG, Frankfurt am Main						
01/01/2021	YN Beteiligungen Holding AG	465	0	465	465	12/31/2022
07/25/2019	YN Beteiligungen Holding AG	1,783	8.12	2,303	2,145	02/22/2023
07/25/2019	YN Beteiligungen Holding AG	779	8.12	1,004	937	12/31/2022
03/16/2021	YN Beteiligungen Holding AG	28,047	8.5	29,007	31,208	12/31/2022

Based on share purchase agreements dated July 25, 2019, a stake of 5.1% each in Gateway Vierte GmbH and Gateway Fünfte GmbH, respectively, was sold to the related company YN Beteiligung Holding AG, Switzerland. The purchase prices of €0.8 million and €1.8 million were deferred. The interest rate for the deferral was 9%. Since 2021, YN Beteiligungen Holding AG has been in default subject to an interest rate of 9% over the base rate.

Gateway Real Estate AG entered into an agreement with YN Beteiligungen Holding AG on the repurchase of the shares in Gateway Fünfte GmbH and completed the repurchase in February 2023 by way of offsetting against the receivable of July 25, 2019.

By way of a share purchase agreement dated January 1, 2021, Gateway Real Estate AG acquired the remaining majority shares in the subsidiary Duisburg EKZ 20 Objekt GmbH. In this context, YN Beteiligungen Holding AG, Switzerland, took over 5.1% of the share for a purchase price of the shares of €0.5 million. As of the reporting date, this receivable due from YN Beteiligungen Holding AG remain outstanding and are non-interest bearing.

Gateway Real Estate sold 50% of its shares in Development Partner AG to YN Beteiligungen Holding AG, Switzerland, by way of a share purchase and transfer agreement dated February 3, 2021. A portion of the purchase price due in the amount of €28,047 thousand was deferred until March 31, 2022 and bore interest at a rate of 4.25%. YN Beteiligungen Holding AG has been in default as regards the purchase price payment since April 1, 2022. The default rate amounts to 8.5% as specified in the purchase agreement.

Nokera Planning GmbH

Nokera Planning GmbH has to be classified as a related company as it is also controlled by Norbert Ketterer.

Nokera Planning GmbH (until December 31, 2020: Fuchshuber Architekten, Leipzig) provided planning services for project companies of GATEWAY in the year under review. The company has to be classified as a related company as it is controlled by the Chairman of the Supervisory Board. The scope of the planning assignments already given in 2021 comprises work stages (Leistungsphasen, LP) 1 to 4 as defined in the German Regulations on the Fee Structure for Architects and Engineers (Honorarordnung für Architekten und Ingenieure, HOAI). The agreed fee was €25 per square meter of eligible rented space.

The resulting overall fees to be paid by the Group amount to €8.6 million.

In the year under review, invoices in the amount of €6 thousand were received, leading to a reduction of the provision recognized in 2021. Accordingly, a liability of €440 thousand continues to be recognized as of the reporting date.

E. DISCLOSURED ON RELATED PERSONS
In accordance with IAS 24, the Group also reports transactions between the Group and related natural persons and their family members. Related persons are defined as members of the Management Board and the Supervisory Board as well as their family members.

In the 2022 reporting period, legal transactions in the form of bank guarantees for which the Company is liable as principal debtor (selbstschuldnerische Bankbürgschaften) had to be reported for this group of persons:

For the purpose of land acquisition financing and the new construction of the project Storkower Str. 142–146, Berlin, Norbert Ketterer, Switzerland, as principal debtor, has assumed an unlimited guarantee (selbstschuldnerische Bürgschaft) for €4.9 million.

Norbert Ketterer provided a guarantee as principal debtor (selbstschuldnerische Bürgschaft) as security for the acquisition financing for the Leuchtwerke project in Augsburg, for the total loan amount of €42.4 million.

Norbert Ketterer assumed a guarantee as principal debtor (selbstschuldnerische Bürgschaft) in the amount of €13.0 million for the acquisition financing of the Hamburg Seevestraße property.

Norbert Ketterer receives a compensation for the provision of the guarantees amounting to 1% of the guarantee per year. Guarantee commissions in a total amount of €1.4 million were recognized in the year under review.

In relation to the compensation of key management personnel required to be reported in accordance with IAS 24, we refer to Subsection B of this Note; this comprises the compensation of the active members of the Management Board and the Supervisory Board.

7.4 GOVERNING BODIES

A. SUPERVISORY BOARD
In accordance with the articles of association, the Supervisory Board of GATEWAY consists of five members who are elected by the Annual General Meeting. The members of the Group's Supervisory Board during the reporting year 2022 are presented below:

— Norbert Ketterer, businessman, Rüschlikon/Switzerland (Chairman)
— Thomas Kunze, business management graduate, Leipzig/Germany (Deputy Chairman)
— Ferdinand von Rom, attorney (Rechtsanwalt), Frankfurt am Main/Germany
— Jan Hendrik Hedding, businessman, Zurich/Switzerland
— Leonhard Fischer, businessman, Zurich/Switzerland

B. MANAGEMENT BOARD
The members of the Group's Management Board during the reporting year 2022 are presented below:

— Tobias Meibom, Hamburg/Germany, CFO
— Stefan Witjes, Berlin/Germany, COO

7.5 AUDITOR'S FEES

The total fee charged by the independent auditor for its activity throughout the Group in the past fiscal year in the amount of €478 thousand (previous year: €508 thousand) includes fees for auditing services and other services, plus the statutory sales tax. The total fee can be broken down as follows:

—

in € thousand	2022	2021
Financial statements auditing services	478	480
Other services	0	28
Total	**478**	**508**

7.6 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

GATEWAY's Management Board and Supervisory Board have issued the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz; AktG). The declaration is included in the 2022 Annual Report and will also be permanently accessible to the shareholders on the website under https://www.gateway-re.de/en/investor-relations/corporate-governance/declarations-of-compliance/ (German only).

7.7 LIST OF SHAREHOLDINGS

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Name of the company	Registered office, country	Ownership interest in %	Footnote
Fully-consolidated subsidiaries (standing assets)			
Gateway Vierte GmbH	Frankfurt am Main, Germany	94.90	
Gateway Fünfte GmbH	Frankfurt am Main, Germany	94.90	
Gateway Siebte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Achte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Neunte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Elfte GmbH	Frankfurt am Main, Germany	94.00	
Gateway Betriebsvorrichtungen – Dienstleistungen – Marketing GmbH	Frankfurt am Main, Germany	100.00	
GTY 1te Bochum GmbH & Co. KG	Eschborn, Germany	100.00	1
GTY 1te Siegen GmbH & Co. KG	Eschborn, Germany	100.00	1
GTY 1te Düsseldorf GmbH & Co. KG	Eschborn, Germany	100.00	1
Augskor 1 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Augskor 2 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Augskor 3 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Duisburg EKZ 20 Objekt GmbH	Berlin, Germany	89.90	
MUC Airport Living GmbH	Munich, Germany	90.00	
Borussia Dresden Quartiere am Blüherpark 10 UG	Duesseldorf, Germany	100.00	4
Fully-consolidated subsidiaries (property development)			
Residential Properties Development			
Borussia Development GmbH	Duesseldorf, Germany	100.00	
Borussia Köln DQ Erschließungs UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 1 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 2 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 3 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 4 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 5 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 6 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 7 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 8 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 9 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 10 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 11 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 12 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 13 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 14 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 15 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 16 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 17 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 18 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 19 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 20 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 21 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ Einkaufs GbR	Duesseldorf, Germany	100.00	
Borussia Dresden Investment UG	Duesseldorf, Germany	89.90	3
Borussia Dresden Quartiere am Blüherpark 1 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 2 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 3 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 4 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 5 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 6 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 7 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 8 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Blüherpark BA 1 Verwaltungs GmbH	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 9 UG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 11 UG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 12 UG	Duesseldorf, Germany	100.00	4
Borussia Dresden Einkaufs-GbR	Duesseldorf, Germany	100.00	3
Gateway Residential GmbH	Frankfurt am Main, Germany	100.00	
Beteiligungsgesellschaft Berlin-Heinersdorf 18 GmbH	Berlin, Germany	90.00	7
Gateway SoHo Sullivan GmbH & Co. KG	Frankfurt am Main, Germany	100.00	7
Gateway SoHo Sullivan Verwaltungs GmbH	Frankfurt am Main, Germany	100.00	7
S0 SoHo Sullivan GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S1 Rialto Quartier GmbH	Frankfurt am Main, Germany	100.00	5
S2 Cliffhanger GmbH	Frankfurt am Main, Germany	100.00	5
S3 Forum Sullivan GmbH	Frankfurt am Main, Germany	100.00	5
S4 De Gregori Quartier GmbH	Frankfurt am Main, Germany	100.00	5
S5 Dalla Quartier GmbH	Frankfurt am Main, Germany	100.00	5
S7 Curve Quartier GmbH	Frankfurt am Main, Germany	100.00	5

Fully-consolidated subsidiaries (property development)			
Residential Properties Development			
S9 Casino Quartier GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S6 Park Lane GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S8 Chelsea Quartier GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S11 Piazza GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S12 Sound & Vision GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
SKE Immo Sulzbach GmbH (S.à r.l.)	Bereldange, Luxembourg	100.00	2
Gateway Siebzehnte GmbH	Eschborn, Germany	100.00	
Gateway Achtzehnte GmbH	Eschborn, Germany	100.00	
Gateway Neunzehnte GmbH	Berlin, Germany	100.00	
Gateway Zwanzigste GmbH	Berlin, Germany	100.00	
Baufeld 23 Entwicklungs GmbH	Leipzig, Germany	89.90	
Gateway Hamburg Seevestraße GmbH (vormals Maize Zizania Property GmbH)	Berlin, Germany	100.00	6
Commercial Properties Development			
Revaler Straße 32 PE GmbH	Berlin, Germany	51.00	2
Storkower Straße 140 PE GmbH	Berlin, Germany	51.00	2
Storkower Straße 142–146 PE GmbH	Berlin, Germany	51.00	2
Companies not included			
GTY Betriebsvorrichtung GmbH	Eschborn, Germany	100.00	1
Associates accounted for using the equity method			
GAM Retail Portfolio Holding GmbH	Berlin, Germany	42.15	
Other investments			
Projektentwicklung Taunusstr. 52–60 in Frankfurt GmbH	Duesseldorf, Germany	11.00	7

1 Investment held via Gateway Achte GmbH, Frankfurt am Main
2 Investment held via Gateway Neunte GmbH, Frankfurt am Main
3 Investment held via Borussia Development GmbH, Duesseldorf
4 Investment held via Borussia Dresden Investment GmbH, Duesseldorf
5 Investment held via Gateway SoHo Sullivan GmbH, Frankfurt am Main
6 Investment held via Gateway Siebzehnte GmbH, Eschborn
7 Investment held via Gateway Residential GmbH, Eschborn
8 Company in liquidation

7.8 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Transfer of voting rights of SKE Immo Sulzbach GmbH and deconsolidation

The security in the form of liens on the shares and receivables relating to the wholly-owned subsidiary SKE Immo Sulzbach GmbH, Luxembourg – provided in the course of the negotiations for the prolongation of the loan for the residential project development in Leipzig, which has not been completed – was transferred to the creditor by letter dated March 21, 2023.

As a result of the voting rights thus transferred and the fact that control over the subsidiary SKE Immo Sulzbach GmbH, Luxembourg, has ceased to exist, the company was deconsolidated as of February 20, 2023. The deconsolidation mainly affected inventories in the amount of €54.8 million. The funds provided to the subsidiary continue to be reported as other financial receivables in the amount of €64.2 million. The expected result from deconsolidation is expected to amount to €+6.2 million. The overall effect, however, depends on possible loss allowances on the receivable which currently cannot be measured on a final basis.

SoHo Mannheim project financing

Negotiations regarding the project financing which has not yet been prolonged, as mentioned in the annual report, continue beyond the date of the audit opinion. The business development of the Group is not expected to be affected negatively, even in the event of a liquidation of collateral provided, especially in view of the current evaluation of the project and current corporate planning.

Project financing for Köln Deutz Quartiere

Negotiations on the junior financing which has not yet been prolonged, as mentioned in the annual report, and the subsequent breach of the loan agreement of the senior lender continue beyond the date of the audit opinion. The business development of the Group is not expected to be affected negatively, even in the event of a liquidation of collateral provided, especially in view of the current evaluation of the project and current corporate planning.

Exercise of pre-emptive right for project development Hamburg Seevestraße

The city of Hamburg exercised its pre-emptive right for the Hamburg project development at the end of 2022. Negotiations are still ongoing.

Frankfurt am Main, April 27, 2023
Gateway Real Estate AG
The Management Board

Tobias Meibom	Stefan Witjes

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the management report of the Group includes a fair view of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, April 27, 2023

Gateway Real Estate AG
The Management Board

Tobias Meibom Stefan Witjes

THIS IS A CONVENIENCE TRANSLATION OF THE GERMAN LANGUAGE ANNUAL REPORT 2022 OF GATEWAY REAL ESTATE AG, WHICH IS PROVIDED TO ENGLISH SPEAKING READERS FOR INFORMATIONAL PURPOSES ONLY. ONLY THE GERMAN VERSION OF THIS DOCUMENT IS LEGALLY BINDING. NO WARRANTY IS MADE AS TO THE ACCURACY OF THIS TRANSLATION AND GATEWAY REAL ESTATE AG ASSUMES NO LIABILITY WHATSOEVER WITH RESPECT THERETO.

Note: This is a convenience translation of the German original. Solely the original text in the German language is authoritative.

INDEPENDENT AUDITOR'S REPORT

To Gateway Real Estate AG, Frankfurt am Main

Report on the audit of the consolidated financial statements and of the Group management report

AUDIT OPINIONS

We have audited the consolidated financial statements of Gateway Real Estate AG, Frankfurt am Main and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Gateway Real Estate AG, Frankfurt am Main for the financial year from 1 January 2022 to 31 December 2022. In accordance with German legal requirements, we have not audited the contents of the Group management report, listed in section "Other information" of our independent auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

— the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January 2022 to 31 December 2022, and

— the accompanying Group management report as a whole provides an appropriate 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. Our audit opinion on the Group management report does not cover the contents of the aforementioned parts of the Group management report not included within the scope of our audit.

Pursuant to Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the Group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. 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 on the Group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon we do not provide a separate audit opinion on these matters.

In our view, the matters presented below were the most significant as part of our audit:

Recognition and measurement of investment property and non-current assets held for sale

— Reasons for designation as Key Audit Matter

The consolidated financial statements of Gateway Real Estate AG as of December 31, 2022, show investment properties of EUR 271.2 million (previous year: EUR 286.5 million) and non-current assets held for sale (properties previously recognized as investment properties) of EUR 286.5 million (previous year: EUR 43.8 million). In preparing the consolidated financial statements, the Management has to decide for each property whether it is to be reported as investment property, as a non-current asset held for sale or as inventories. Gateway Real Estate AG accounts for investment properties and non-current assets held for sale using the fair value model in accordance with IFRS 13. Accordingly, unrealized changes in fair value due to changes in market values are generally recognized in profit or loss as part of the fair value measurement. In the past financial year, EUR 0.0 million (previous year: EUR 67.7 million) has been recognized in profit or loss as unrealized changes in fair value due to changes in market values in the consolidated statement of comprehensive income.

The fair value of investment properties and non-current assets held for sale is determined on the basis of appraisals by external experts using current market data and internationally recognized valuation methods. For completed properties and projects nearing completion, discounted cash flow methods are used to discount the expected future cash flows of a property to the balance sheet date of December 31, 2022, applying a market-based, property-specific discount and capitalization rate. In the case of undeveloped land, the residual value method is used to determine a realistic land value. The fair value is generally determined on the basis of the highest and best use of the property (concept of "Highest and Best use").

The valuation of investment properties and non-current assets held for sale is based on a large number of parameters that are fundamentally subject to estimation uncertainty and judgment. Significant valuation parameters include in particular the expected cash flows, the assumed vacancy rate and the discount and capitalization rates. Even minor changes in valuation-relevant parameters can lead to significant changes in fair values. Due to the significance of the items "Investment properties"and "Non-current assets held for sale" for the financial statements, as well as the estimation uncertainties and the exercise of discretion by the Executive Board, we determined this matter to be a particularly important audit matter.

— Our audit approach

We have assessed the recognition of the investment properties and the non-current assets held for sale on the basis of the contractual documents, the corporate planning as well as the information provided by the legal representatives and other documents submitted. In order to examine the valuation, we assessed the competence, ability and objectivity of the external appraiser engaged by Gateway Real Estate AG to determine the fair value, assessed the valuation methods applied in the appraisals with regard to conformity with IAS 40 in conjunction with IFRS 13, assessed the significant valuation assumptions and parameters, and examined the arithmetical accuracy of the calculations. We have assessed the accuracy and completeness of the data on the real estate portfolios used in the valuation models by means of substantive audit procedures.

In addition, we performed analytical audit procedures on the change in market values per property. To this end, we analyzed whether the development of the value drivers (e.g. annual net rent, lettable area, vacancy rate, discount and capitalization rate, gross multiplier) is in line with the development of the market value of the respective property.

We also assessed the completeness and adequacy of the disclosures in the notes to the consolidated financial statements required by IAS 40, IFRS 13 and IFRS 5.

— Reference to related disclosures in the notes

For information on investment properties, please refer to Note 2.8 in "2. Significant accounting policies" and Note 6.3 in "6. Additional notes to the items of the consolidated financial statements" in the notes to the consolidated financial statements, and for information on non-current assets held for sale, please refer to Note 2.22 in "2. Significant accounting policies" and Note 6.8 in "6. Additional notes to the items of the consolidated financial statements".

Recognition and measurement of inventories

— Reasons for designation as Key Audit Matter

The consolidated financial statements of Gateway Real Estate AG for the year ending 31 December 2022, show inventories in the amount of EUR 882.0 million (previous year: EUR 747.2 million). This corresponds to 55% of total assets. The accounting for real estate in inventories is associated with uncertainties caused by estimates and the exercise of discretion due to the following circumstances. First, Management must decide for each property whether it is to be held for long-term rental or for capital appreciation or whether it is to be sold and accordingly reported as investment property or in inventories.

As part of the measurement of inventories, Management must ensure that the acquisition or production costs are determined correctly and examine whether an impairment to a net realizable value lower than (amortized) cost is necessary. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses still to be incurred. Due to the significance of inventories for the financial statements and the uncertainties caused by estimation and the exercise of discretion by Management, we have determined that this is a key audit matter.

— Our audit approach

We have assessed the correct presentation of the properties in inventories on the basis of the contractual documents, the corporate planning, information provided by the legal representatives and other documents submitted. In order to review the valuation, we assessed the implementation, design and functionality of the relevant internal controls. With regard to the acquisition or production costs, we carried out a document review based on a deliberate riskoriented selection. With regard to the determination of the net realizable value, the appropriateness of the estimate of future or expected market prices on the real estate market was assessed on the basis of comparable transactions, expert opinions by experts of the legal representatives or existing business plans. We assessed the competence, ability and objectivity of the aforementioned experts and checked the calculation of the values of the properties in these expert's reports.

We have also assessed the completeness and accuracy of the disclosures required by IAS 2 in the notes to the consolidated financial statements.

— Reference to related disclosures in the notes

With regard to the accounting policies applied regarding real estate in inventories and the related disclosures on accounting estimates and assumptions, we refer to the disclosures in the notes to the consolidated financial statements in the sections 2.11 in "2. Significant accounting policies" and 6.5 in "6. Additional notes to the items of the consolidated financial statements".

OTHER INFORMATION

The Management and the Supervisory Board are responsible for the other information. The other information comprises:

- the statement on corporate governance in accordance with Section 289f HGB in conjunction with Section 315d HGB, to which reference is made in section 1.3 "Corporate Governance Statement" in the Group management report,
- the Supervisory Board's report,
- the Remuneration report
- the confirmation pursuant to Section 297 (2) Sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to Section 315 (1) Sentence 5 HGB regarding the Group management report,
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and Group management report, which has been audited in relation to its contents, and our auditor's report.

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the statement pursuant to Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code (DCGK), to which reference is made in the Group management report as part of the corporate governance statement as well as for the Remuneration report. In all other respects, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that a material misstatement of this other information exists, we are required to report such a fact. We have nothing to report in this context.

RESPONSIBILITIES OF THE MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

The Management Board members are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with such requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board members are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the Management Board members are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for preparing the accounts on a going concern basis of accounting unless an intention exists to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board members are responsible for the preparation of the Group management report which, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board members are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about 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 appropriate view of the Group's position and in all material respects is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with German legal requirements, and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. 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, we design and perform audit procedures responsive to those risks, and we 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

— obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements, and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

— evaluate the appropriateness of accounting policies used by the Management Board members and the reasonableness of estimates made by the Management Board members as well as related disclosures.

- conclude on the appropriateness of the Management Board members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating 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 in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able 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 present the underlying transactions and events in such a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to be able to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the Management Board members in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board members as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and therefore are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the electronic reproductions of the consolidated financial statements and the Group management report prepared for the purpose of disclosure in accordance with Section 317 (3a) HGB

AUDIT OPINION

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the Group management report (hereinafter also referred to as "ESEF documents") contained in the attached file (529900419S8ZX9H95G64-2022-12-31-de.zip, 531a3ed7b2a8f570639b5dbdf9338f4f809a04117e91358a648ac0fcef12be32, SHA256) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format, and therefore relates neither to the information contained within this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this audit opinion and our audit opinion on the accompanying consolidated financial statements and on the accompanying Group management report for the financial year from 1 January 2021 to 31 December 2021, included in the "Report on the audit of the consolidated financial statements and of the Group management report" above.

Basis for the audit opinion
We conducted our audit of the reproduction of the consolidated financial statements and the Group management report contained in the abovementioned attached electronic file in accordance with Section 317 (3a) HGB and IDW Assurance Standard: Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AsS 410 (06.2022). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Audit on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Management and the Supervisory Board for the ESEF Documents
The legal representatives of the Company are responsible for the preparation of the ESEF documents including the electronic reproductions of the consolidated financial statements and the Group management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No 2 HGB.

In addition, the legal representatives of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process for preparing the ESEF-documents as part of the financial reporting process.

Auditor's Responsibilities for the audit of the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, 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 opinion.

— Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls.

— Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

— Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited group financial statements and the audited management report.

— Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, enables an appropriate and complete machinereadable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the annual general Meeting on 30 August 2022. We were engaged by the Supervisory Board on 25 November 2022. We have been the auditor of the group financial statements of Gateway Real Estate AG, Frankfurt am Main without interruption since the financial year 2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matters – use of the auditor's report
Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette [Unternehmensregister] – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF note and our audit opinion contained therein can only be used in conjunction with the audited ESEF documentation provided in electronic form.

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Karsten Luce.

Nuremberg, 27 April 2023

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

gez. Landgraf	gez. Luce
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR

May 31, 2023	Publication of quarterly statement (publication date Q1)
August 2023	Annual General Meeting
September 29, 2023	Publication of half-yearly financial report
November 27–29, 2023	Deutsches Eigenkapitalforum
November 30, 2023	Publication of quarterly statement (publication date Q3)

IMPRINT

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