2022

ANNUAL FINANCIAL STATEMENTS

GATEWAY
REAL ESTATE

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GATEWAY REAL ESTATE AG 2022

CONTENT

MANAGEMENT REPORT OF GATEWAY REAL ESTATE AG

1. FUNDAMENTAL INFORMATION ON THE COMPANY

GATEWAY conducts its operating activities to a significant extent via its subsidiaries. Accordingly, the following statements included in the management report have a very strong Group perspective.

1.1 BUSINESS MODEL

Gateway Real Estate AG (in the following also referred to as "GATEWAY" or "Company") 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

In the past fiscal year, the Company employed 27.25 salaried employees (previous year: 15.75) on average and 2 Management Board members (previous year: 2). The change is attributable to the fact that the development organization at the new office in Berlin was expanded further.

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 Company 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 Company 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.

On Company level, the Management Board controls and evaluates on the basis of the performance indicator EBT (earnings before taxes).

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 is part of the 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 increased 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 a positive outlook regarding the impact that 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 SITATION

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 by introducing 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).

COMPLETIONS IN A CITIES

in sqm	2022	2021	Change in %
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 A CITIES

In million sqm	Q4 2022	Q4 2021	Change in %
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 sqm)	2022	2021	Change in %
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.

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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.

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DEVELOPMENT OF PRIME RENTS ON THE A CITIES OFFICE MARKET

in €/sqm per month	Q4 2022	Q4 2021	Change in %
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 percent 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 of the subsidiaries 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.

However, the Company was not able to achieve the forecast for the full fiscal year 2022 due to the lack of dividend payments from subsidiaries.

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 for the Company and its subsidiaries – 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

The financial performance of Gateway Real Estate AG is presented in the following table in comparison with the previous year:

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in € million	2022	2021	Change in result
Operating profit/loss			
Revenue	2.9	1.1	1.8
Other operating income	0.1	1.9	–1.8
Raw materials and consumables used	–1.4	–0.7	–0.7
Employee benefits expense	–5.2	–4.7	–0.5
Amortization, depreciation and write-downs	–0.2	–4.1	3.9
Other operating expenses	–4.2	–3.9	–0.3
	–8.0	**–10.4**	**2.4**
Net finance costs			
Income from equity investments	0.0	1.0	–1.0
Expenses/income from profit and loss transfer agreements	0.0	–1.0	1.0
Write-downs of long-term financial assets	0.0	–1.9	1.9
Finance income	20.3	16.7	3.6
Finance costs	–12.7	–10.2	–2.5
	7.6	**4.6**	**3.0**
Profit/loss of the Com-pany			
Operating profit/loss	–8.0	–10.4	2.4
Net finance costs	7.6	4.6	3.0
Taxes	–0.2	0.0	–0.2
Net profit/loss for the year	**–0.6**	**–5.8**	**5.2**

The Company's financial performance is primarily characterized by the development activities in relation to the residential property projects of the Group.

Accordingly, revenue amounts to €2.9 million (previous year: €1.1 million) and mainly refers to intragroup cost allocations for Group companies in the amount of €1.1 million (previous year: €1.1 million), while an amount of €1.0 million (previous year: €0.0 million) refers to revenue from project management due to business management agreements newly entered into. As a result of the subsidiary Gateway Zweite GmbH & Co. KG, which was taken over in the previous year, revenue for the first time also includes rents received in connection with the standing asset in Eschborn in the amount of €0.7 million.

Changes in work in progress in connection with concluded business management agreements resulted in changes in inventories of finished goods and work in progress in the amount of €41 thousand. The item also comprises the offsetting balance of operating costs that have been charged and those that have not yet been charged.

In the previous year, other operating income included a purchase price adjustment for the sale of the shares in Development Partner AG, Duesseldorf, in the amount of €1.0 million as well as income from the reversal of provisions of €0.5 million. In the year under review, other operating income mainly consists of income from the reversal of provisions, which declined by €0.4 million to €0.1 million.

In line with revenue from rents, raw materials and consumables used also rose by €0.7 million to €1.4 million.

The continued establishment of additional project development capacities and the expansion of the internal and external accounting function led to an increase in employee benefits expenses from €–4.7 million to €–5.2 million.

Amortization, depreciation and write-downs in the amount of €0.2 million include depreciation for the standing asset in Eschborn. In the previous year, mainly write-downs were recognized for impairment of other receivables from an affiliated company in the amount of €–4.0 million.

Other operating expenses rose slightly in the reporting period by €0.3 million to €4.2 million over the previous year.

The operating loss, thus, amounted to €–8.0 million, after an operating loss of €–10.4 million in the prior year. The year-on-year increase is mainly due to the absence of the aforementioned non-recurring effects in the previous year and the increase in revenue from business management agreements.

Net finance income amounts to €7.6 million in the reporting year (previous year: €4.6 million). The increase is due in particular to increased interest income on loans granted as well as to newly issued loans and the increase in interest rates on existing loans. Finance costs increased by €–1.2 million mainly due to newly issued promissory note loans. Also included is additional interest from guarantees in the amount of €1.4 million.

Earnings before income taxes amount to €–0.4 million, representing an increase by €5.4 million compared to the previous year (€–5.8 million). In the year under review, income taxes amount to €–0.2 million (previous year: €0.0 million).

2.4.2 FINANCIAL POSITION

The financial position of Gateway Real Estate AG is presented in the following table in comparison with the previous year:

—

in € million	2022	2021	Change
Assets			
Intangible assets	0.2	0.2	0.0
Tangible fixed assets	3.6	3.7	–0.1
Long-term financial assets	75.7	82.0	–6.4
Medium- and long-term assets	**79.5**	**85.9**	**–6.5**
Inventories	0.5	0.5	0.0
Trade receivables	1.4	0.0	1.4
Intragroup receivables	290.6	254.6	36.0
Cash and cash equivalents	2.4	8.4	–6.0
Other assets	164.1	144.9	19.2
Current assets	**459.0**	**408.5**	**50.5**
	538.5	**494.4**	**44.1**
Capital			
Share capital	186.8	186.8	0.0
Reserves	38.0	38.0	0.0
Net retained profit	33.6	34.2	–0.6
Equity	**258.4**	**259.0**	**–0.6**
Bonds	71.5	71.5	0.0
Liabilities to banks	2.3	44.8	–42.5
Other liabilities	30.1	30.0	0.1
Medium and long-term debt	**103.9**	**146.3**	**–42.4**
Liabilities to banks	42.4	0.0	42.4
Trade payables	2.6	0.6	2.0
Intragroup liabilities	24.8	9.8	15.0
Provisions	2.1	1.5	0.6
Other liabilities	104.3	77.2	27.1
Short-term debt	**176.2**	**89.1**	**87.1**
	538.5	**494.4**	**44.1**

GATEWAY's total assets increased by €44.1 million or 8.9% to €538.5 million as of December 31, 2022.

In terms of assets, the increase resulted primarily from intragroup receivables, which rose by €36.0 million due to the ongoing acquisition and construction activities of the subsidiaries and the associated liquidity requirements of the subsidiaries. Other assets also rose by €19.2 million, mainly as a result of the provision of cash funds in the amount of €12.4 million for a project development in Leipzig as the related plan to purchase the project was canceled. Furthermore, the item increased by €27.7 million due to accrued interest receivables.

The long-term financial position was impacted by returns of liquidity to GATEWAY following the successful sale of the standing asset in Leipzig by the subsidiary Gateway Fünfte GmbH, which had an offsetting effect of €6.3 million. In this context, receivables from Gateway Fünfte GmbH amounting to €7.7 million were redeemed using cash funds, and a new loan of €13.4 million was granted to GATEWAY.

Cash and cash equivalents declined due to the issue of new loans and the significant increase of existing lines of credit by €6.0 million to €2.4 million. Further information is included in the paragraph on the financial position in section 2.4.3.

Equity slightly decreased by the amount of the net loss for the year (€0.6 million) to €258.4 million. Nevertheless, GATEWAY's equity ratio fell from 52.4% in the previous year to 48.0% due to the higher total assets.

Medium- and long-term liabilities decreased by €42.4 million due to the reclassification of liabilities to banks to current liabilities.

By contrast, short-term debt increased by €87.1 million as a result of the aforementioned reclassifications and the increase in the “Other liabilities” item. The main reason for this is the addition of a promissory note loan in the amount of €43.6 million. At the same time, liabilities in connection with purchases made in previous years were repaid, in particular for the outstanding purchase price liabilities for the shares in Borussia Development GmbH, Duesseldorf, acquired in the previous year in the amount of €9.2 million, which had an offsetting effect.

Trade payables increased in line with the assumption of costs for a project development company in the amount of €1.9 million. At the same time, receivables from project development, as reported under other assets, also increased.

The increase in provisions of €0.6 million is mainly attributable to the higher measurement of personnel-related provisions caused by increased employee benefits expenses.

2.4.3 CASH FLOWS

The cash flows of Gateway Real Estate AG are presented in the following table in comparison with the previous year:

—

in € million	2022	2021	Change
Net loss for the year	–0.6	–5.8	5.2
Increase/(decrease) in provisions	0.6	–0.1	0.7
Gains/(losses) on the disposal of tangible fixed assets and long-term financial assets	0.3	1.0	–0.7
Decrease in intragroup receivables	–37.4	–62.2	24.8
Increase (decrease) in other assets	–22.4	62.5	–84.9
Increase in intragroup liabilities	15.0	4.1	10.9
Decrease (increase) in other liabilities	–10.2	2.2	–12.4
Income taxes paid/ refunded	1.8	0.0	1.8
Income from equity investments and profits transferred	0.0	–1.0	1.0
Finance income/finance costs	7.1	5.9	1.2
Other non-cash income	0.0	–0.3	0.3
Cash flows from operating activities	**–45.8**	**6.3**	**–52.1**
Proceeds from the disposal of long-term financial assets	6.4	43.9	37.5
Payments for investments in fixed assets	–0.2	–0.1	–0.1
Payments for investments in long-term financial assets	0.0	–2.0	2.0
Dividends received	0.0	1.0	–1.0
Interest received	1.2	0	1.2
Cash flows from investing activities	**7.4**	**42.7**	**–35.3**
Proceeds from the issuance of bonds and from borrowings	44.8	36.5	8.3
Payments for the redemption of bonds/borrowings	–6.7	–80.2	73.5
Interest paid	–5.7	–5.3	–0.4
Cash flows from financing activities	**32.4**	**–49.0**	**81.4**
Net change in cash and cash equivalents from accrual	0.0	0.7	–0.7
Net change in cash and cash equivalents	**–6.0**	**0.6**	**–6.6**
Cash and cash equivalents at beginning of period	**8.4**	**7.8**	**0.6**
Cash and cash equivalents at end of period	**2.4**	**8.4**	**–6.0**

The cash flow statement shows a significant decrease in cash and cash equivalents by €6.0 million to €2.4 million.

Cash flows from operating activities are negative at €–45.8 million (previous year: positive cash flows of €6.3 million). This is due to the increased liquidity requirements of the subsidiaries and the associated increase in receivables from issued loans.

There were significant changes in the previous year which largely offset each other.

In terms of investing activities, there were cash inflows from the proceeds in connection with the sale of a standing asset in Leipzig on the level of Gateway Fünfte GmbH and the associated repayments made by this subsidiary of borrowings including interest in the amount of €6.0 million and €1.2 million.

Material cash inflows from financing activities primarily refer to the issuance of promissory note loans (€43.6 million). In addition, there were cash outflows from the redemption of borrowings in a total amount of €6.7 million. Interest paid amounted to €5.7 million.

Compared to the previous year, commitments and contingencies existed in the form of sureties and guarantees in a total amount of €76.4 million. However, the utilization is considered unlikely on the basis of the economic condition of the beneficiaries. See note on commitments and contingencies.

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. In general, there is no distinction made in terms of opportunities and risks between the Group and the Company as a single entity.

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/

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 by GATEWAY with a distinction being made between property-specific and company-specific risks. Accordingly, the following statements included in the management report have a very strong Group perspective. 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 supervision 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 and, taking into account the measures initiated by GATEWAY, does not see any significant 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 financial position and performance of the Company or its subsidiaries 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 management report 2021, the Management Board expected earnings before taxes (EBIT) for the year 2022 between €125 million and €140 million on Group level. Earnings before taxes (EBT) were estimated to be in the range from €70 million to €85 million. Due to planned further purchases, GDV was expected to grow in the low single-digit billion range. Both estimates were reduced by €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. The preliminary figures for 2022 were specified as part of an ad hoc release on March 21, 2023, which indicated an EBIT adjusted of €18.4 million and earnings before taxes (EBT) of €–32.5 million.

On single-entity level, the Management Board expects earnings before taxes (EBT) to be in a low two-digit million euro range. Earnings before taxes (EBT) primarily depend on the execution of distributions of major subsidiaries and the outcome of sales transactions.

For the fiscal year 2022, the Company recorded negative earnings before taxes (EBT) in the amount of €–0.45 million and thus did not fulfill the forecast.

The distributions from material subsidiaries expected in the previous year have not yet been realized.

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 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 is 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 GATEWAY

The forecast for GATEWAY is based on internal corporate planning which takes into account the current business development as well as potential opportunities and risks. In addition, the forecast includes the material macroeconomic conditions and the economic factors relevant to real estate companies. The following statements have a very strong Group perspective.

As a result of the challenging market conditions and a significantly reduced deal velocity, 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 sales transactions.

On single-entity level, the Management Board expects earnings before taxes (EBT) to be in a high two-digit million euro range. Earnings before taxes (EBT) primarily depend on the execution of distributions of major subsidiaries and the outcome of sales 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 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 GATEWAY in connection with taking out loans to finance the purchase of properties or to finance construction activities. 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 aquired the Company'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 year under review as a result of expected permanent impairment. We refer to the Notes.

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

CASH AND CASH EQUIVILANTS

The cash and cash equivalents are deposited in banks and financial institutions. The Company assumes that its cash and cash equivalents have a low risk of default due to the external ratings of the banks and financial institutions.

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 company and its subsidaries 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.

8. CLOSING STATEMENT REGARDING THE DEPENDENT COMPANY REPORT PURSUANT TO SECTION 312 AKTG

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 SN Beteiligungen Holding AG and Norbert Ketterer and enterprises affiliated with them.

Frankfurt am Main, April 27, 2023

Gateway Real Estate AG
The Management Board

Tobias Meibom

Stefan Witjes

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

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.

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.

DISCLOSURES OF THE REMUNERATION ACTUALLY 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 over the previous fiscal year (except for the development of remuneration for employees who, in line with legal requirements (Section 26j para. 2 sentence of the German Introductory Act of for the Stock Corporation Act), are presented for the first time and therefore only for the past 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

ANNUAL FINANCIAL STATEMENTS FOR THE 2022 FISCAL YEAR

BALANCE SHEET OF GATEWAY REAL ESTATE AG

AS OF DECEMBER 31, 2022

ASSETS

in €	Dec 31, 2022	Dec 31, 2021
A. Fixed assets		
I. Intangible assets		
Purchased concessions, industrial rights and similar rights and assets, as well as licenses in such rights and assets	139,727.00	204,472.00
Advance payments made	83,260.00	0.00
II. Tangible fixed assets		
1. Land and buildings, including buildings on third-party land	3,452,324.26	3,563,411.26
2. Other equipment, operating and office equipment	177,950.00	171,945.00
3. Prepayments and assets under construction	6,386.55	0.00
III. Long-term financial assets		
1. Shares in affiliated companies	75,473,778.02	75,491,869.80
2. Loans to affiliated companies	150,000.00	6,505,616.93
3. Equity investments	10,538.00	10,538.00
	79,493,963.83	**85,947,852.99**
B. Current assets		
I. Inventories		
Work in progress	467,475.55	479,717.46
II. Receivables and other assets		
1. Receivables from affiliated companies	290,621,701.79	254,606,055.12
2. Trade receivables	1,377,427.14	10,448.81
3. Other assets	163,322,541.29	144,062,998.22
III. Cash on hand and bank balances	**2,433,818.94**	**8,428,869.17**
	455,321,670.22	**407,588,088.78**
C. Prepaid expenses	**795,075.54**	**861,825.83**
	538,512,004.08	**494,397,767.60**

EQUITY AND LIABILITIES

in €	Dec 31, 2022	Dec 31, 2021
A. Equity		
I. Subscribed capital	**186,764,040.00**	**186,764,040.00**
II. Reserves	**37,020,315.30**	**37,020,315.30**
III. Revenue reserves	**1,008,232.11**	**1,008,232.11**
IV. Net retained profit	**33,552,168.75**	**34,159,881.92**
	258,344,756.16	**258,952,469.33**
B. Provisions		
1. Tax provisions	266,460.30	123,438.00
2. Other provisions	1,869,153.94	1,418,773.15
	2,135,614.24	**1,542,211.15**
C. Liabilities		
1. Bonds	71,450,000.00	71,450,000.00
2. Liabilities to banks	44,657,259.63	44,840,443.56
3. Payments received on account of orders	552,963.49	526,939.89
4. Trade payables	2,616,420.33	613,989.25
5. Liabilities to affiliated companies	24,773,208.63	9,835,024.29
6. Other liabilities	133,967,872.10	106,625,011.32
thereof from taxes €116,065.98 (previous year: €91,877.52)		
	278,017,724.18	**233,891,408.31**
D. Prepaid expenses	**13,909.50**	**11,678.81**
	538,512,004.08	**494,397,767.60**

INCOME STATEMENT OF GATEWAY REAL ESTATE AG

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2022

in €	2022	2021
1. Revenue	2,871,862.83	1,142,910.10
2. Decrease in finished goods and work in progress	–12,241.91	0.00
3. Other operating income	120,879.40	1,869,726.09
4. Raw materials and consumables used		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	–429,760.71	0.00
b) Cost of purchased services	–961,544.72	–733,524.65
5. Employee benefits expense		
a) Wages and salaries	–4,751,810.70	–4,431,991.03
b) Social security contributions, pensions and other employee benefits	–415,298.04	–268,592.59
thereof for pensions €1,958.40 (previous year: €2,181.75)		
6. Amortization, depreciation and write-downs		
a) Amortization and depreciation	–243,989.39	–122,261.16
b) Write-downs of current assets to the extent that they exceed the write-downs that are usual for the corporation	0.00	–4,000,000.00
7. Other operating expenses	–4,166,911.84	–3,862,721.75
8. Income from equity investments	0.00	950,000.00
9. Income from profit transfer agreements	0.00	0,00
10. Income from other securities and long-term loans	36.82	36.82
11. Other interest and similar income	20,333,264.66	16,715,755.06
thereof from affiliated companies €12,202,187.58 (previous year: €11,352,783.96)		
12. Write-downs of long-term financial assets	–40,566.78	–1,872,450.57
13. Interest and similar expenses	–12,754,448.49	–10,241,913.49
thereof to affiliated companies €481,536.56 (previous year: €167,176.40)		
14. Expenses for assumption of losses	0.00	–983,894.57
15. Income taxes	–158,091.90	1,014.59
16. Earnings after tax	**–608,620.77**	**–5,838,627.15**
17. Other taxes	907.60	–1,490.93
18. Net loss for the year	**–607,713.17**	**–5,840,118.08**
19. Retained profits brought forward from the previous year	34,159,881.92	40,000,000.00
20. Withdrawals from reserves	0.00	0.00
21. Dividends	0.00	0.00
22. Net retained profit	**33,552,168.75**	**34,159,881.92**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS OF GATEWAY REAL STATE AG

FOR THE FISCAL YEAR FROM JANUARY 1, 2022 TO DECEMBER 31, 2022

ACCOUNTING PRINCIPLES

Gateway Real Estate AG (hereinafter also referred to as "GATEWAY" or "Company") has its registered office in Frankfurt am Main, Germany, and is registered with the Frankfurt am Main local court under the number HRB 93304. The address of the principal place of business has been Hardenbergstraße 28a, 10623 Berlin, Germany, since 2021.

The Company is a publicly-traded company and is therefore considered a large corporation (große Kapitalgesellschaft) within the meaning of Section 267 (3) sentence 2 of the German Commercial Code (Handelsgesetzbuch, HGB) in conjunction with Section 264d HGB. On April 10, 2019, the Company's shares were admitted to trading on the Frankfurt Stock Exchange. The first trading day was April 12, 2019. The Company's shares have the German securities identification number (Wertpapierkennnummer; WKN) A0JJTG and the International Securities Identification Number (ISIN) DE000A0JJTG7. They are listed on the regulated market in the Prime Standard of the Frankfurt Stock Exchange, on XETRA as well as on the over-the-counter markets of the stock exchanges in Düsseldorf, Munich, Berlin, Hamburg and Stuttgart.

The annual financial statements of GATEWAY as of December 31, 2022, were prepared on the basis of the accounting policies set out in the German Commercial Code and the German Stock Corporation Act (Aktiengesetz; AktG).

The balance sheet and the income statement are structured in accordance with Sections 266 and 275 (2) HGB (total cost format).

The consolidated financial statements for the largest and the smallest group of consolidated companies in which the Company is included is prepared by the Company and disclosed in the German federal gazette (Bundesanzeiger).

ACCOUNTING POLICIES

The following accounting policies remained applicable for the preparation of the financial statements. Measurement was based on the going concern assumption.

Intangible and tangible fixed assets are carried at cost less amortization or depreciation, where applicable. Amortization and depreciation are based on the expected useful life which ranges between three and 33 years and are recorded on a straight-line basis.

Movable fixed assets with a cost of up to €800 are fully written off in the year of acquisition.

Movable fixed assets with a cost of below €250 are fully expensed as incurred in the year of acquisition.

Equity investments included in long-term financial assets are measured at cost, or, if necessary, at the lower fair value as of the reporting date.

Loans included in long-term financial assets are measured at their nominal value, or, if necessary, at the lower fair value as of the reporting date.

Receivables and other assets are recognized at the lower of nominal value or fair value.

The Company does not make use of the recognition option for deferred taxes in accordance with Section 274 (1) sentence 2 HGB.

Cash in hand and at bank is recognized at nominal values.

Prepaid expenses refer to expenditure made before the balance sheet date that represents an expense attributable to a period after the balance sheet date. The item is reversed on a straight-line basis over time.

Subscribed capital is carried at its nominal amount or the notional interest in the share capital.

Provisions take into account all uncertain liabilities. They are reported at the settlement amount (i.e. including future cost and price increases) deemed to be required based on prudent business judgment.

Liabilities are stated at their settlement amounts. If the values applicable as of the reporting date exceed the settlement amounts, the liabilities are measured at the higher amount as of the reporting date.

Deferred income refers to proceeds that represent income for a specific time after the reporting date. The item is reversed on a straight-line basis over time.

NOTES TO THE BALANCE SHEET

FIXED ASSETS

The changes in fixed assets are shown in form of an appendix to the notes (schedule of changes in fixed assets).

An overview of the shares in affiliated companies (long-term financial assets) is presented in an appendix to the notes (list of shareholdings).

Based on a share purchase agreement and upon subsequent payment of the purchase price in the amount of €22,475 on April 19, 2022, Gateway acquired 89.9% of the shares in the company Baufeld 23 GmbH.

RECEIVABLES AND OTHER ASSETS

As a rule, receivables and other assets have a remaining term of up to one year. Receivables from affiliated companies in the amount of €0 thousand (previous year: €39,176 thousand) have a term of more than one year. The other receivables from affiliated companies consist of short-term loans and current settlement transactions without contractually fixed terms; they can be terminated at any time at short notice. The repayment of these receivables is made depending on the liquidity situation of the respective affiliated company.

Receivables from affiliated companies include trade receivables in the amount of €6,484 thousand (previous year: €1,032 thousand).

SUBSCRIBED CAPITAL

The share capital amounted to €186,764 thousand as of December 31, 2022, unchanged from the previous year. It is divided into 186,764,040 no-par-value bearer shares at a notional value of €1 per share.

On April 10, 2019, GATEWAY placed 16,895,939 new shares from the capital increase announced on March 20, 2019 at a placement price of €4 per share within the context of an international private placement with institutional investors, while another 82,610 new shares were offered for subscription to existing shareholders.

At the ordinary Annual General Meeting on August 21, 2019, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital until August 20, 2024, by €25,468 thousand against cash contributions and/or contributions in kind; the subscription rights of the existing shareholders may be disapplied (Authorized Capital 2019/I). Accordingly, the Management Board has available authorized capital, together with the still existing Authorized Capital 2018/I, in the amount of the permitted maximum volume of 50% of the Company's share capital (€93,382 thousand).

At the Annual General Meeting on August 22, 2018, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital until August 21, 2023, by €84,892 thousand against cash contributions and/or contributions in kind; the subscription rights of the existing shareholders may be disapplied (Authorized Capital 2018/I).

CAPITAL RESERVES

Capital reserves amount to €37,020 thousand, unchanged from the previous year, and result from the share premium arising from the capital increases in previous years (€352,411 thousand) as well as from the capital increase on April 10, 2019 (€50,936 thousand). By way of a Management Board resolution dated March 12, 2021, the unappropriated reserve in the amount of €366,327 thousand was reversed in accordance with Section 270 (1) HGB in the fiscal year 2020. The amount withdrawn was transferred to the distributable profit.

NET RETAINED PROFITS/ACCUMULATED LOSS

The reconciliation as required in accordance with Section 158 (1) AktG to net retained profits is as follows:

—

in €	Dec 31, 2022	Dec 31, 2021
Net loss for the year	–607,713.17	–5,840,118.08
Dividend	0.00	0.00
Retained profits/accumulated losses brought forward from the previous year	34,159,881.92	40,000,000.00
Withdrawals from reserves	0.00	0.00
Transfer to the legal reserve	0.00	0.00
Net retained profit	33,552,168.75	34,159,881.92

PROVISIONS

Other provisions mainly include amounts provided for legal, advisory and audit fees in the amount of €635 thousand (previous year: €679 thousand), for vacation and bonuses in the amount of €910 thousand (previous year: €406 thousand), for outstanding invoices and contributions to the German statutory accident insurance and the compensation levy for severely disabled persons in the amount of €77 thousand (previous year: €13 thousand), for Supervisory Board remuneration in the amount of €244 thousand (previous year: €264 thousand) as well as for storage costs in the amount of €3 thousand (previous year: €3 thousand).

LIABILITIES

The terms of the liabilities are shown in the following schedule of liabilities:

—

TYPE OF LIABILITY

	as of December 31, 2022			
	Total amount	thereof with a remaining term of		
€ thousand		< 1 year	> 1 year	> 5 years
Bonds	71,450.0 (71,450.0)	0.0 (0.0)	71,450.0 (71,450.0)	0.0 (0.0)
Liabilities to banks	44,657.3 (44,840.0)	42,400.0 (0.0)	0.0 (42,400.0)	2,257.3 (2,440.0)
Payments received on account of orders	553.0 (527.0)	426.9 (342,0)	126.1 (185.0)	0.0 (0.0)
Trade payables	2,616.4 (614.0)	2,616.4 (614.0)	0.0 (0.0)	0.0 (0.0)
Liabilities to affiliated companies	24,773.2 (9,835.0)	24,773.2 (9,835.0)	0.0 (0.0)	0.0 (0.0)
– thereof trade payables	0.0 (0.0)			
Other liabilities	133,967.9 (106,625.0)	103,860.3 (76,625.0)	30,107.6 (30,000.0)	0.0 (0.0)
– thereof from taxes	116.1 (91.9)			
Total	**278,017.8 (233,891.0)**	**174,076.8 (87,416.0)**	**101,683.7 (144,035.0)**	**2,257.3 (2,440.0)**

Prior-year figures in brackets

The liabilities to banks in the amount of €44,657 thousand (previous year: €44,840 thousand) result from loan liabilities and are secured by the Company as follows:

— a due and fully enforceable first mortgage on the land of the subsidiaries Augskor 1 GmbH, Augskor 2 GmbH and Augskor 3 GmbH, Luxembourg, in a total amount of €42,400 thousand, as well as of the property of Gateway Real Estate AG, which was assumed as part of the accrual of Gateway Zweite GmbH & Co. KG in the amount of €3,250 thousand.

— a pledge of the interest reserve account.

Collateral also exists for trade payables as part of customary retention of title.

The utilization of the abovementioned collateral provided is unlikely in our view as we expect on the basis of the economic condition that the company will meet its obligation from the loan agreement.

NOTES TO THE INCOME STATEMENT

REVENUE

Revenue refers to domestic intragroup income of €988 thousand (previous year: €1.142 thousand), revenue from business management agreements in the amount of €1,027 thousand (previous year: €0 thousand), and rental revenue amounting to €792 thousand (previous year: €0 thousand).

CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

Changes in inventories of finished goods and work in progress result from changes in work in progress due to services performed under business management agreements but not yet invoiced in the amount of €41 thousand (previous year: €0 thousand) and from the balance of invoiced and not yet invoiced operating costs of €–54 thousand (previous year: €0 thousand).

OTHER OPERATING INCOME

In the fiscal year under review, other operating income amounts to €121 thousand (previous year: €1,870 thousand). This amount includes income from the reversal of provisions in the amount of €95 thousand (previous year: €543 thousand). In the previous year, other operating income also included income from the accrual of the equity investment in the amount of €302 thousand as well as income from the disposal of long-term financial assets in the amount of €1,004 thousand.

WRITE-DOWNS OF CURRENT ASSETS TO THE EXTENT THAT THEY SHOULD EXCEED THE WRITE-DOWNS THAT ARE USUAL FOR THE CORPORATION TARGET VALUES

Due to expected permanent impairment, a loss allowance was recorded in the previous year on other receivables from affiliated companies in the amount of €4,000 thousand.

OTHER OPERATING EXPENSES

Other operating expenses of €4,167 thousand (previous year: €3,863 thousand) include advisory, closing and audit fees in the amount of €2,302 thousand (previous year: €2,143 thousand). Furthermore, the item includes the non-deductible input tax of €405 thousand (previous year: €305 thousand) as well as expenses for office rents in the amount of €435 thousand (previous year: €457 thousand).

INCOME FROM EQUITY INVESTMENTS

Income from equity investments amounts to €0 thousand in the year under review (previous year: €950 thousand). The prior year amount referred to a preliminary distribution made by one subsidiary.

OTHER INTEREST AND SIMILAR INCOME

Interest and similar income of €20,333 thousand (previous year: €16,176 thousand) primarily include income in the amount of €12,202 thousand (previous year: €10,564 thousand) from loans to affiliated companies.

WRITE-DOWNS OF LONG-TERM FINANCIAL ASSETS

Due to the withdrawal declared in the fiscal year with regard to the planned purchase of a project development in Leipzig, incidental acquisition costs related to the shares in the target company already reported under long-term financial assets in the amount of €41 thousand were written down and recognized through profit or loss. In the previous year, the shares in Duisburg EKZ Objekt 20 GmbH were written off in the amount of €1,873 thousand due to an expected permanent impairment.

EXPENSES FOR ASSUMPTION OF LOSSES DUE TO A PROFIT TRANSFER AGREEMENT

In the prior year, losses assumed under a profit transfer agreement dated November 13, 2019, with Development Partner AG amounted to €984 thousand. The profit transfer agreement was applicable in the previous year until February 28, 2021.

OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

The other financial obligations that are significant for assessing the financial position mainly refer to rental payments for business premises and car leases. The gross obligations from these agreements as of the reporting date amount to €291 thousand (previous year: €640 thousand).

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of compliance with the German Corporate Governance Code, as prescribed by Section 161 AktG was issued and was made publicly accessible on Gateway Real Estate AG's website.

https://www.gateway-re.de/en/investor-relations/corporate-governance/declarations-of-compliance/

PROPOSAL FOR THE APPROPRIATION OF PROFITS

The Management Board proposes to carry forward the net retained profit of €33,552,168.75 to new account.

COMMITMENTS AND CONTINGENCIES

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.

All of the following commitments and contingencies refer to affiliated companies.

From guarantees
For the purposes of financing a property, Duisburg EKZ 20 Objekt GmbH, Eschborn, took out a bank loan in a total amount of €5,000 thousand. Gateway Real Estate AG is liable in this context based on a bank guarantee in the amount of €1,000 thousand for which the Company is liable as principal debtor (selbstschuldnerische Bankbürgschaft). Gateway Real Estate AG assumes that Duisburg EKZ 20 Objekt GmbH is able to meet its obligations from the loan agreement.

For the purposes of financing a property, Gateway SoHo Sullivan GmbH & Co. KG, Frankfurt am Main, issued bonds in a total amount of €53,881 thousand. Gateway Real Estate AG is liable in this context based on a bank guarantee in the amount of €15,000 thousand for which the Company is liable as principal debtor (selbstschuldnerische Bankbürgschaft). Gateway Real Estate AG assumes that Gateway SoHo Sullivan GmbH & Co. KG is able to meet its obligations from the bond agreement.

For the purposes of financing a property, Gateway Achtzehnte GmbH, Eschborn, took out a bank loan in the amount of €4,000 thousand. Gateway Real Estate AG is liable in this context based on a bank guarantee in the amount of €800 thousand for which the Company is liable as principal debtor (selbstschuldnerische Bankbürgschaft). Gateway Real Estate AG assumes that Gateway Achtzehnte GmbH is able to meet its obligations from the loan agreement.

The indirect subsidiary Borussia Köln Erschließungs UG, Eschborn, is contractually obliged to make a payment to a supplier in a total amount of €14,394 thousand due to the completion of soil remediation work for the Köln Deutz Quartiere project development. This payment obligation was deferred as agreed, subject to interest of 4.8% p.a. Gateway Real Estate AG is liable in this context based on a guarantee in the amount of €8,700 thousand for which the Company is liable as principal debtor (selbstschuldnerische Bürgschaft). Gateway Real Estate AG assumes that Borussia Köln Erschließungs UG is able to meet its obligations under its agreement with regard to final payment.

Under a construction contract subject to a condition precedent dated July 14, 2022, the subsidiaries S0 SoHo Sullivan GmbH & Co. KG, S6 Park Lane GmbH & Co. KG, S7 Curve Quartier GmbH and S8 Chelsea Quartier GmbH & Co. KG jointly awarded to a construction company a contract for civil engineering services in relation to a construction project in Mannheim. In this context, Gateway Real Estate AG issued a letter of comfort to put the respective subsidiaries in a position to meet the compensation obligations arising from the construction contract. Gateway Real Estate AG assumes that the respective subsidiaries are able to meet its obligations from the construction contract.

Borussia Dresden Quartiere am Blüherpark 10 UG is the owner of the office block in Lingnerallee 3, 01069 Dresden. Under an agreement dated February 7/8, 2022 to terminate a lease, a tenant of this property agreed upon the early return of the space the tenant had leased. In return, Borussia Dresden Quartiere am Blüherpark 10 UG undertook to pay a termination fee of €3.95 million. In this context, Gateway Real Estate AG issued a letter of comfort to Borussia Dresden Quartiere am Blüherpark 10 UG to ensure that it is in a position to duly pay the termination amount. Gateway Real Estate AG assumes that Borussia Dresden Quartiere am Blüherpark 10 UG is able to meet its obligation under the lease termination agreement.

Pursuant to the loan agreement, together with the first supplement dated August 25, 2022 and the second supplement dated September 29/October 10, 2022, Berliner Sparkasse granted Revaler Strasse 32 PE GmbH, a subsidiary of Gateway Real Estate AG, a loan totaling €91.4 million. The loan is used to finance the land acquisition and the new construction of the project Revaler Straße 32, 10245 Berlin. In this context, Gateway Real Estate AG has guaranteed Berliner Sparkasse that the net construction and ancillary construction costs of €57.8 million calculated in the cost schedule of the loan agreement will not be exceeded or, in the event of an overrun, that it will pay these costs up to a maximum of €5.2 million. Gateway Real Estate AG assumes that the cost schedule agreed in the loan agreement will be adhered to.

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.)
Augskor 1 GmbH, Augskor 2 GmbH and Augskor 3 GmbH (collectively "Augskor Companies"), Luxembourg, acquired land in Augsburg. Prior to the land purchases, Gateway Real Estate AG issued letters of comfort to the Augskor Companies pursuant to which Gateway Real Estate AG commits to put the Augskor Companies in a position that they are able to meet the obligations resulting from the land purchases.

SKE Immo Sulzbach GmbH, Luxembourg, acquired various plots of land in Germany. Prior to the land purchases, Gateway Real Estate AG issued letters of comfort to SKE Immo Sulzbach GmbH pursuant to which Gateway Real Estate AG commits to put SKE Immo Sulzbach GmbH in a position that the company is able to meet the obligations resulting from the land purchases.

Duisburg EKZ 20 Objekt GmbH, Eschborn, holds a shopping center in Duisburg in its portfolio. Prior to the land purchase of the company, Gateway Real Estate AG issued a letter of comfort pursuant to which Gateway Real Estate AG undertakes to put Duisburg EKZ 20 Objekt GmbH in a position that the company is able to meet the obligations resulting from maintaining the property.

Gateway Real Estate AG has also issued a letter of comfort to Gateway Betriebsvorrichtungen Dienstleistungen Marketing GmbH pursuant to which Gateway Real Estate AG undertakes to put Gateway Betriebsvorrichtungen Dienstleistungen Marketing GmbH in a position that the company is able to meet the obligations resulting from business operations.

MUC Airport Living GmbH, Munich, operates a hotel in Munich. As part of the refinancing of the property by Sparkasse Freising, Gateway Real Estate AG issued a letter of comfort of up to €12 million to the bank pursuant to which Gateway Real Estate AG undertakes to put MUC Airport GmbH in a position that the company is able to meet the obligations from the loan agreement until it is fully repaid.

For the residential construction project "Dresden Quartiere am Blüherpark", Gateway Real Estate AG has issued a guarantee to Landesbank Hessen-Thüringen Girozentrale for a maximum of €3.5 million, pursuant to which Gateway Real Estate AG undertakes to put the Borussia companies Dresden Quartiere am Blüherpark 1–12 in a position that they will be able to meet their obligations under the loan agreement in full and cover increases in the total cost investment.

For the residential construction project "Köln Deutz Quartiere", Gateway Real Estate AG has issued a guarantee to Deutsche Pfandbriefbank AG for a maximum of €8 million, pursuant to which Gateway Real Estate AG undertakes to put the Borussia companies Köln Deutz Quartiere 1–21 in a position that they will be able to meet their obligations under the loan agreement in full.

SUPERVISORY BOARD

The Company's Supervisory Board consisted of the following members in the fiscal year 2022:

Norbert Ketterer (Chairman of the Supervisory Board), businessman, Rueschlikon/Switzerland

Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 no. 10 HGB:

- Board of Directors of ACRON AG, Zurich/Switzerland
- Board of Directors of ACRON Fisherman's Wharf Hotel SF AG, San Francisco/USA
- Supervisory Board of CWI Immobilien AG, Leipzig
- Board of Directors of SKE Immobilien Schweiz I AG, Zug/Switzerland
- Board of Directors of HK Real Estate AG, Wollerau/Switzerland
- Board of Directors of Areal Hitzkirch Zug AG, Zug/Switzerland
- Board of Directors of Areal Steinhausen Zug AG, Zug/Switzerland
- Board of Directors of Areal Sursee Zug AG, Zug/Switzerland
- Board of Directors of Ketom AG, Zug/Switzerland
- Board of Directors of SN Beteiligungen Holding AG, Zug/Switzerland
- Board of Directors of SAYANO Family Office AG, Zug/Switzerland
- Board of Directors of Helvetic Private Investments AG, Zug/Switzerland
- Board of Directors of SKE Immobilien Schweiz I AG, Zug/Switzerland
- Supervisory Board of Peires AG, Leipzig
- Board of Directors of NOKERA AG, Rueschlikon/Switzerland
- Board of Directors of NOKERA Management AG, Rueschlikon/Switzerland

Thomas Kunze (Deputy Chairman of the Supervisory Board), graduate in business administration, Leipzig

Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 no. 10 HGB:

- Supervisory Board of Peires AG, Leipzig
- Supervisory Board of CWI Immobilien AG, Leipzig

Ferdinand von Rom (Member of the Supervisory Board), lawyer, Frankfurt am Main

Ferdinand von Rom has no further supervisory board memberships or memberships on comparable German and foreign supervisory bodies in accordance with Section 285 no. 10 HGB.

Jan Hendrik Hedding (Member of the Supervisory Board), businessman, Zurich/Switzerland
Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 no. 10 HGB:

- Supervisory Board of Peires AG, Leipzig
- Board of Directors of Acron AG, Zurich/Switzerland
- Board of Directors of Hereco Holdings AG, Zug/Switzerland
- Board of Directors of Real Estate Financing AG, Zug/Switzerland
- Board of Directors of Areal Will Zug AG, Zug/Switzerland
- Board of Directors of Areal Herzogenbuchsee Zug AG, Zug/Switzerland
- Board of Directors of unicorn two AG, Zug/Switzerland
- Board of Directors of Helvetic Private Investments AG, Zug/Switzerland
- Board of Directors of Ketom AG, Zug/Switzerland
- Board of Directors of Real Estate Fund Invest AG, Zug/Switzerland
- Board of Directors of SKE Immobilien Holding AG, Zug/Switzerland
- Board of Directors of ESGERO AG, Zug/Switzerland
- Board of Directors of NOKERA Contracting AG, Zug/Switzerland
- Board of Directors of NOKERA Patents AG, Zug/Switzerland
- Board of Directors of NOKERA Procurement AG, Zug/Switzerland
- Board of Directors of NOKERA Grundbesitz Ellwangen AG, Zug/Switzerland
- Board of Directors of NOKERA Management AG, Rueschlikon/Switzerland
- Board of Directors of NOKERA Services AG, Zug/Switzerland

Leonhard Fischer (Member of the Supervisory Board), businessman, Zurich/Switzerland
Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 no. 10 HGB:

- Chairman of the Investment Committee of DFG Deutsche Fondsgesellschaft SE Invest, Berlin

The Supervisory Board members received a remuneration of €130 thousand (previous year: €130 thousand) for the past fiscal year.

MEMBERS OF THE MANAGEMENT BOARD
The Management Board consisted of the following members in the past fiscal year 2022:

Tobias Meibom, Chief Financial Officer (CFO), Hamburg
Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 no. 10 HGB:

none

Stefan Witjes, Chief Operating Officer (COO), Berlin
Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 no. 10 HGB:

none

The members of the Management Board received the following remuneration in the past fiscal year (in € thousand):

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**

EMPLOYEES
In the past fiscal year, the Company employed 27 salaried employees (previous year: 16) on average, in addition to the members of the Management Board.

CONSOLIDATED FINANCIAL STATEMENTS
Gateway Real Estate AG, as the parent company, prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). This is, at the same time, the smallest and the largest group of consolidated companies in which the Company is included. The consolidated financial statements also include disclosures regarding the fees for the auditor.

NOTIFICATION OF VOTING RIGHTS DISCLOSURES OURSUANT TO SECTION 160 (1) NO. 8 AKTG
In accordance with Section 160 (1) no. 8 of the German Stock Corporation Act (Aktiengesetz; AktG), disclosures have to be made in relation to shareholdings notified to the Company in compliance with Section 21 (1) or (1a) of the German Securities Trading Act (Wertpapierhandelsgesetz; WpHG) (as amended on January 2, 2018) or in compliance with Section 33 (1) or (2) WpHG (as amended on January 3, 2018), respectively. The following information was taken from the most recent notification issued by a person/entity subject to notification requirements. The last change in the total number of voting rights (186,764,040) has been effective since April 11, 2019.

a. Versorgungswerk der Zahnärztekammer Nordrhein notified us pursuant to Section 33 WpHG that its share of voting rights in Gateway Real Estate AG exceeded the 3% threshold on December 21, 2022 and amounted to 3.04% (5,670,000 voting rights) as of that date.

b. Norbert Ketterer notified us pursuant to Section 33 WpHG that his share of voting rights in Gateway Real Estate AG exceeded the 75% threshold on April 19, 2022 and amounted to 84.27% (157,395,248 voting rights) as of that date.

c. Sandra Ketterer notified us pursuant to Section 33 WpHG that her share of voting rights in Gateway Real Estate AG fell below the 10% threshold on April 19, 2022 and amounted to 0.00% (0 voting rights) as of that date.

d. Yannick Patrick Heller notified us pursuant to Section 33 WpHG that his share of voting rights in Gateway Real Estate AG fell below the 10% threshold on April 20, 2022 and amounted to 0.00% (0 voting rights) as of that date.

e. Versorgungswerk der Zahnärztekammer Nordrhein notified us pursuant to Section 33 WpHG that its share of voting rights in Gateway Real Estate AG fell below the 3% threshold on April 19, 2022 and amounted to 0.00% (0 voting rights) as of that date.

f. Versorgungswerk der Zahnärztekammer Nordrhein notified us pursuant to Section 33 WpHG that its share of voting rights in Gateway Real Estate AG exceeded the 3% threshold on February 18, 2022 and amounted to 3.04% (5,670,000 voting rights) as of that date.

g. Yannick Patrick Heller notified us pursuant to Section 33 WpHG that his share of voting rights in Gateway Real Estate AG exceeded the 10% threshold on February 7, 2022 and amounted to 10.31% (19,263,884 voting rights) as of that date.

h. Athos KG notified us pursuant to Section 33 WpHG that its share of voting rights in Gateway Real Estate AG fell below the 3% threshold on November 17, 2021 and amounted to 0% (0 voting rights) as of that date.

i. Athos KG notified pursuant to Section 33 WpHG that the share of voting rights held by Santo Holding (Deutschland) GmbH in Gateway Real Estate AG can be attributed to Athos KG since December 16, 2021 and that the share of voting rights attributed to the company amounted to 3.10% (5,789,685 voting rights) as of that date.

j. Yannick Patrick Heller notified us pursuant to Section 33 WpHG that his share of voting rights in Gateway Real Estate AG exceeded the 5% threshold on December 1, 2020 and amounted to 6.04% (11,288,000 voting rights) as of that date.

k. Yannick Patrick Heller notified us pursuant to Section 33 WpHG that his share of voting rights in Gateway Real Estate AG exceeded the 3% threshold on November 27, 2020 and amounted to 3.37% (6,288,000 voting rights) as of that date.

l. Norbert Ketterer notified us, by way of a voluntary Group notification in relation to falling below a certain threshold only on subsidiary level, that his share of voting rights in Gateway Real Estate AG on May 7, 2020 amounted to 66.24% (123,712,159 voting rights), with 66.19% or 123,616,650 of the voting rights being directly held and 0.05% or 95,500 of the voting rights representing voting rights attributed to him.

m. Sandra Ketterer notified us pursuant to Section 33 WpHG that her share of voting rights in Gateway Real Estate AG exceeded the 10% threshold on December 16, 2019 and amounted to 12.28% (22,936,698 voting rights) as of that date. In connection with this notification, Sandra Ketterer notified us pursuant to Section 43 (1) WpHG of the following: The objective of the investment is to generate gains from trading. I currently do not intend to acquire further voting rights in the Company by way of purchase or otherwise within the next 12 months, but do not rule out a purchase of further voting rights in the Company. I currently do not seek to gain influence as regards the appointment of members of administrative, management or supervisory bodies of the Company, except for the exercise of voting rights at general meetings. I currently do not seek to significantly change the Company's capital structure, in particular as regards the ratio of equity capital to borrowings or the dividend policy. The funds used to purchase the voting rights in the Company are own funds.

n. Norbert Ketterer notified us that his share of voting rights in Gateway Real Estate AG amounted to a total of 65.75% (122,805,275 voting rights) as of April 12, 2019.

o. Sandra Ketterer notified us pursuant to Section 33 WpHG that her share of voting rights in Gateway Real Estate AG fell below the 10% threshold on April 11, 2019 and amounted to 9.68% (18,086,698 voting rights) as of that date.

p. HANSAINVEST Hanseatische Investment-GmbH notified us pursuant to Section 33 WpHG that its share of voting rights in Gateway Real Estate AG fell below the 3% threshold on April 11, 2019 and amounted to 2.77% (5,170,000 voting rights) as of that date.

q. Santo Holding (Deutschland) GmbH notified us pursuant to Section 33 WpHG that its share of voting rights in Gateway Real Estate AG exceeded the 3% threshold on April 10, 2019 and amounted to 3.41% (5,789,685 voting rights) as of that date.

r. Sandra Ketterer notified us pursuant to Section 33 WpHG that her share of voting rights in Gateway Real Estate AG exceeded the 10% threshold on April 10, 2019 and amounted to 10.65% (18,086,698 voting rights) as of that date.

s. Norbert Ketterer notified us pursuant to Section 33 WpHG that his share of voting rights in Gateway Real Estate AG amounted to a total of 62.36% (105,879,536 voting rights) as of April 10, 2019.

t. HANSAINVEST Hanseatische Investment-GmbH notified us pursuant to Section 33 WpHG that its share of voting rights in Gateway Real Estate AG exceeded the 3% threshold on April 10, 2019 and amounted to 3.045% (5,170,000 voting rights) as of that date.

u. In October 2018, SN Beteiligungen Holding AG notified us pursuant to Section 20 (1) and (3) AktG that it directly holds more than one fourth of the shares in Gateway Real Estate AG. In addition, the company notified us pursuant to Section 20 (4) AktG that it directly owns a majority in Gateway Real Estate AG.

v. In October 2018, Norbert Ketterer notified us pursuant to Section 20 (1) AktG that he indirectly owns more than one fourth of the shares in Gateway Real Estate AG since the interest held by SN Beteiligungen Holding AG in Gateway Real Estate AG can be attributed to him in accordance with Section 16 (4) AktG. In addition, he notified us pursuant to Section 20 (4) AktG that it indirectly owns a majority of the shares in Gateway Real Estate AG since the interest held by SN Beteiligungen Holding AG in Gateway Real Estate AG can be attributed to him in accordance with Section 16 (4) AktG.

w. In October 2018, Sandra Ketterer notified us in accordance with Section 20 (5) AktG that she no longer holds more than one fourth of the shares in Gateway Real Estate AG. In addition, she notified us pursuant to Section 20 (5) AktG that she no longer owns a majority in Gateway Real Estate AG.

x. In June 2016, HPI Helvetic Private Investments AG notified us pursuant to Section 20 (5) AktG that it does not own a majority shareholding and no longer holds more than one fourth of the shares in Gateway Real Estate AG.

y. In June 2016, Norbert Ketterer notified us pursuant to Section 20 (5) AktG that, based on the attribution of shares in accordance with Section 16 (4) AktG, he no longer holds a majority shareholding and no longer holds more than one fourth of the shares (Section 20 (1) in conjunction with Section 16 (2) sentence 1 AktG) in Gateway Real Estate AG.

z. In September 2011, HPI Helvetic Private Investments AG, Wollerau, Switzerland, notified us pursuant to Section 20 (4) AktG that it owns a majority shareholding in Gateway Real Estate AG.

SUBSEQUENT EVENTS

There were no transactions after the reporting date that are required to be reported.

Frankfurt am Main, April 27, 2023

Gateway Real Estate AG
The Management Board

Tobias Meibom Stefan Witjes

STATEMENT OF CHANGES IN FIXED ASSETS

OF GATEWAY REAL ESTATE AG

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2022

	Cost				
in €	Jan 01, 2022	Additions	Disposals	Transfers	Dec 31, 2022
I. Intangible assets					
Purchased concessions, industrial rights and similar rights and assets, as well as licenses in such rights and assets	331,462.60	0.00	0.00	0.00	331,462.60
Prepayments	0.00	83,260.00	0.00	0.00	83,260.00
Intangible assets	**331,462.60**	**83,260.00**	**0.00**	**0.00**	**414,722.60**
II. Tangible fixed assets					
Land, land rights and buildings, including buildings on third-party land	3,563,411.26	0.00	0.00	0.00	3,563,411.26
Other equipment, operating and office equipment	521,226.88	74,163.39	2,559.15	0.00	592,831.12
Prepayments and assets under construction	0.00	6,386.55	0.00	0.00	6,386.55
Tangible fixed assets	**4,084,638.14**	**80,549.94**	**2,559.15**	**0.00**	**4,162,628.93**
III. Long-term financial assets					
1. Shares in affiliated companies	77,364,320.37	22,475.00	0.00	0.00	77,386,795.37
2. Loans to affiliated companies	6,505,616.93	0.00	6,355,616.93	0.00	150,000.00
3. Equity investments	10,538.00	0.00	0.00	0.00	10,538.00
Long-term financial assets	**83,880,475.30**	**22,475.00**	**6,355,616.93**	**0.00**	**77,547,333.37**
	88,296,576.04	**186,284.94**	**6,358,176.08**	**0.00**	**82,124,684.90**

	Amortization, depreciation and write-downs				Carrying amount	
	Jan 01, 2022	Additions	Disposals	Accumulated amortization, depreciation and write-downs	Dec 31, 2022	Jan 01, 2022
	126,990.60	64,745.00	0.00	191,735.60	139,727.00	204,472.00
	0.00	0.00	0.00	0.00	83,260.00	0.00
	126,990.60	**64,745.00**	**0.00**	**191,735.60**	**222,987.00**	**204,472.00**
	0.00	111,087.00	0.00	111,087.00	3,452,324.26	3,563,411.26
	349,281.88	68,157.39	2,558.15	414,881.12	177,950.00	171,945.00
	0.00	0.00	0.00	0.00	6,386.55	0.00
	349,281.88	**179,244.39**	**2,558.15**	**525,968.12**	**3,636,660.81**	**3,735,356.26**
	1,872,450.57	40,566.78	0.00	1,913,017.35	75,473,778.02	75,491,869.80
	0.00	0.00	0.00	0.00	150,000.00	6,505,616.93
	0.00	0.00	0.00	0.00	10,538.00	10,538.00
	1,872,450.57	**40,566.78**	**0.00**	**1,913,017.35**	**75,643,316.02**	**82,008,024.73**
	2,348,723.05	**243,989.39**	**2,558.15**	**2,590,154.29**	**79,493,963.83**	**85,947,852.99**

LIST OF SHAREHOLDINGS
OF GATEWAY REAL ESTATE AG

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No.	Company	Registered office	Ownership interest in%	Equity as of 12/31/2022 in € thousand	Net profit/loss for the year 2022 in € thousand
1.	Gateway Vierte GmbH	Frankfurt am Main	94.90	5,026	245
2.	Gateway Fünfte GmbH	Frankfurt am Main	94.90	11,956	19,329
3.	Gateway Siebte GmbH	Frankfurt am Main	100	13	–5
4.	Gateway Achte GmbH	Frankfurt am Main	100	813	–7
5.	Gateway Neunte GmbH	Frankfurt am Main	100	–13,053	702
6.	Gateway Elfte GmbH	Frankfurt am Main	94	343	–4
7.	Gateway Siebzehnte GmbH	Eschborn	100	–1,476	–1,418
8.	Gateway Achtzehnte GmbH	Eschborn	100	–28	–15
9.	Gateway Betriebsvorrichtungen – Dienstleistungen – Marketing	Frankfurt am Main	100	–137	–18
10.	Gateway Residential GmbH	Frankfurt am Main	100	–1,378	–858
11.	MUC Airport Living GmbH	Munich	90	–779	–17
12.	Duisburg EKZ 20 Objekt GmbH	Berlin	89.9	–1,596	–398
13.	Borussia Development GmbH	Eschborn	100	10,739	–288
14.	Gateway Neunzehnte GmbH	Berlin	100	13	–10
15.	Gateway Zwanzigste GmbH	Berlin	100	14	–10
16.	Baufeld 23 Entwicklungs GmbH	Leipzig	89.9	–1,212	–534
Indirect interest held in No. 4:					
	GTY 1te Bochum GmbH & Co. KG	Eschborn	100	344	–7
	GTY 1te Siegen GmbH & Co. KG	Eschborn	100	–171	–8
	GTY 1te Düsseldorf GmbH & Co. KG	Eschborn	100	135	–7
	GTY Betriebsvorrichtung GmbH	Eschborn	100	23	–10
Indirect interest held in No. 5:					
	Revaler Straße 32 PE GmbH	Berlin	51	–2,791	–2,357
	Storkower Straße 140 PE GmbH	Berlin	51	–1,182	–939
	Storkower 142–146 PE GmbH	Berlin	51	–2,460	–685
	Augskor 1 GmbH (S.à r.l.)	Luxembourg	100	–1,459	–320
	Augskor 2 GmbH (S.à r.l.)	Luxembourg	100	–1,375	–696
	Augskor 3 GmbH (S.à r.l.)	Luxembourg	100	–2,136	–691
	SKE Immo Sulzbach GmbH (S.à r.l.)	Luxembourg	100	–264	–239
Indirect interest held in No. 7:					
	Gateway Hamburg Seevestraße GmbH	Hamburg	100	1,589	–42
Indirect interest held in No. 10:					
	Beteiligungsgesellschaft Berlin-Heinersdorf 18 GmbH	Berlin	90	–210	–60
	Gateway SoHo Sullivan GmbH & Co. KG	Frankfurt am Main	100	–15,853	–11,531
	Gateway SoHo Sullivan Verwaltungs GmbH	Frankfurt am Main	100	18	0
	S1 Rialto Quartier GmbH	Frankfurt am Main	100	–9,446	–371
	S2 Cliffhanger GmbH	Frankfurt am Main	100	–42	–11
	S3 Forum Sullivan GmbH	Frankfurt am Main	100	–36	–11
	S4 De Gregori Quartier GmbH	Frankfurt am Main	100	–36	–11
	S5 Dalla Quartier GmbH	Frankfurt am Main	100	–37	–12
	S7 Curve Quartier GmbH	Frankfurt am Main	100	–43	–11
	S0 SoHo Sullivan GmbH & Co. KG	Frankfurt am Main	100	–32	17
	S9 Casino Quartier GmbH & Co. KG	Frankfurt am Main	100	–37	–9
	S6 Park Lane GmbH & Co. KG	Frankfurt am Main	100	–38	–10
	S8 Chelsea Quartier GmbH & Co. KG	Frankfurt am Main	100	–35	–6
	S11 Piazza GmbH & Co. KG	Frankfurt am Main	100	–37	–11
	S12 Sound & Vision GmbH & Co. KG	Frankfurt am Main	100	–34	–11

Indirect interest held in No. 13:	Registered office	Ownership interest in %	Equity as of 12/31/2022 in € thousand	Net profit/loss for the year 2022 in € thousand
Borussia Köln Erschließungs UG	Duesseldorf	89.9	–252	–111
Borussia Köln DQ 1 UG	Duesseldorf	89.9	–87	–57
Borussia Köln DQ 2 UG	Duesseldorf	89.9	–63	–40
Borussia Köln DQ 3 UG	Duesseldorf	89.9	–63	–40
Borussia Köln DQ 4 UG	Duesseldorf	89.9	–62	–39
Borussia Köln DQ 5 UG	Duesseldorf	89.9	–137	–87
Borussia Köln DQ 6 UG	Duesseldorf	89.9	–131	–90
Borussia Köln DQ 7 UG	Duesseldorf	89.9	–95	–67
Borussia Köln DQ 8 UG	Duesseldorf	89.9	–88	–62
Borussia Köln DQ 9 UG	Duesseldorf	89.9	–98	–62
Borussia Köln DQ 10 UG	Duesseldorf	89.9	–70	–45
Borussia Köln DQ 11 UG	Duesseldorf	89.9	–119	–83
Borussia Köln DQ 12 UG	Duesseldorf	89.9	–120	–76
Borussia Köln DQ 13 UG	Duesseldorf	89.9	–86	–55
Borussia Köln DQ 14 UG	Duesseldorf	89.9	–86	–55
Borussia Köln DQ 15 UG	Duesseldorf	89.9	–86	–55
Borussia Köln DQ 16 UG	Duesseldorf	89.9	–77	–49
Borussia Köln DQ 17 UG	Duesseldorf	89.9	–70	–45
Borussia Köln DQ 18 UG	Duesseldorf	89.9	–54	–35
Borussia Köln DQ 19 UG	Duesseldorf	89.9	–23	–29
Borussia Köln DQ 20 UG	Duesseldorf	89.9	–62	–37
Borussia Köln DQ 21 UG	Duesseldorf	89.9	–62	–37
Borussia Köln DQ Einkaufs GbR	Eschborn	100	0	0
Borussia Dresden Investment UG	Duesseldorf	89.9	–29	44
Borussia Dresden Quartiere am Blüherpark 1 GmbH & Co. KG	Eschborn	100	–99	–56
Borussia Dresden Quartiere am Blüherpark 2 GmbH & Co. KG	Eschborn	100	–90	–46
Borussia Dresden Quartiere am Blüherpark 3 GmbH & Co. KG	Eschborn	100	–82	–41
Borussia Dresden Quartiere am Blüherpark 4 GmbH & Co. KG	Eschborn	100	–80	–39
Borussia Dresden Quartiere am Blüherpark 5 GmbH & Co. KG	Eschborn	100	–90	–47
Borussia Dresden Quartiere am Blüherpark 6 GmbH & Co. KG	Eschborn	100	–77	–37
Borussia Dresden Quartiere am Blüherpark 7 GmbH & Co. KG	Eschborn	100	–95	–53
Borussia Dresden Quartiere am Blüherpark 8 GmbH & Co. KG	Eschborn	100	–743	–446
Blüherpark BA 1 Verwaltungs GmbH	Eschborn	100	–2	–8
Borussia Dresden Quartiere am Blüherpark 9 UG	Duesseldorf	100	–229	–117
Borussia Dresden Quartiere am Blüherpark 10 UG	Duesseldorf	100	340	–613
Borussia Dresden Quartiere am Blüherpark 11 UG	Duesseldorf	100	–65	9
Borussia Dresden Quartiere am Blüherpark 12 UG	Duesseldorf	100	–86	4
Borussia Dresden Einkaufs GbR	Eschborn	100	0	0

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Frankfurt am Main, April 27, 2023

Gateway Real Estate AG
The Management Board

Tobias Meibom

Stefan Witjes

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 annual financial statements and management report:

AUDIT OPINIONS

We have audited the annual financial statements of Gateway Real Estate AG, Frankfurt am Main, which comprise the statement of financial position as at 31 December 2022, the statement of profit and loss for the financial year from 1 January 2022 to 31 December 2022, and notes to the annual financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the 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 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 annual financial statements comply, in all material respects, with the requirements of the German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities, and financial position of the Company as at 31 December 2022, and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 in compliance with German Legally Required Accounting Principles, and

— the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the contents of the aforementioned parts of the 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 annual financial statements and the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the 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 annual financial statements and of the management report" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual 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 annual 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 matter presented below is the most significant as part of our audit:

Valuation of shares in affiliated companies

— Reasons for designation as Key Audit Matter

In the annual financial statements of the Company as of 31 December 2022, shares in affiliated companies amounting to EUR 75.5 million are reported, representing 14% of total assets. The assessment of the recoverability of shares in affiliated companies is complex and is based on a number of factors involving the exercise of judgment and, in some cases, significant uncertainties. The legal representatives of the Company perform a valuation on the basis of a discounted cash flow approach to determine a possible need for impairment, depending on the development and situation of the company in question. The valuation incorporates assumptions that are associated with estimates and discretionary scope. The main assumptions underlying the determination of a possible impairment requirement for shares in affiliated companies relate to the expected future income from real estate sales, the conditions under which new real estate projects can be acquired and developed, including the expected margin of these projects, and the discount rates used. In view of the significance for the net assets and results of operations of Gateway Real Estate AG, we determined this matter to be a particularly important audit matter.

— Our audit approach

Our audit procedures include, as a first step, obtaining an understanding of the process steps and internal controls implemented for testing the recoverability of financial assets. We also examined whether the assumptions underlying the planning are appropriate. For this purpose, we compared the expected future cash flows for the main affiliated companies with the planning approved by the Supervisory Board and analyzed the economic development to date. Furthermore, we convinced ourselves of the Company's planning reliability by means of a retrospective comparison of the project plans from previous years with the actual values that have actually occurred. We have assessed the assumptions and parameters used in determining the discount rate, in particular the market risk premium and beta factor. We have reconstructed the calculation method of the impairment test and examined its appropriateness. Furthermore, we have performed sensitivity analyses in order to assess a possible impairment risk in the event of a deemed possible change in significant assumptions.

— Reference to related disclosures in the notes

For information on the accounting policies applied, please refer to the notes, which contains disclosures on financial assets in the section "Accounting policies" and the list of shareholdings.

OTHER INFORMATION

The Management or the Supervisory Board are responsible for the other information. The other information comprises:

- the statement on corporate governance in accordance with Section 289f HGB, to which reference is made in section 1.3 "Corporate Governance Statement" in the management report,
- the remuneration report,
- the confirmation pursuant to Section 264 (2) sentence 3 HGB regarding the annual financial statements and the confirmation pursuant to Section 289 (1) sentence 5 HGB regarding the management report.

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 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 annual financial statements and on the 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 audited annual financial statements, with the 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 ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

The Management Board members are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Company. In addition, the Management Board members are responsible for such internal controls as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual 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 annual financial statements, the Management Board members are responsible for assessing the Company'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 financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Management Board members are responsible for the preparation of the management report which, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 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 management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and is consistent in all material respects with the annual 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 annual financial statements and on the 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 annual financial statements and this 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 annual financial statements and the 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 annual financial statements, and of arrangements and measures (systems) relevant to the audit of the 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 applied 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 Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern.

— evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with the German legally required accounting principles.

— evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

— perform audit procedures on the prospective information presented by the Management Board members in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions applied 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. A substantial unavoidable risk exists 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 annual financial statements of the current period and are therefore the 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 annual financial statements and the 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 annual financial statements and the management report (hereinafter also referred to as "ESEF documents") contained in the attached file (529900419S8ZX9H95G64-2022-12-31-de.xhtml, fea23c8548f2248a36f6e0c04dc34518033d45-a899d932f487a6d5951e704261, 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 annual financial statements and the 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 above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned 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 above-mentioned electronic file beyond this audit opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the audit of the annual financial statements and on the management report" above.

Basis for the audit opinion
We conducted our audit on the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file in accordance with Section 317 (3a) HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of annual Financial Statements and Management Reports Prepared for Publication Purposes (IDW PS 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 annual financial statements and the management report in accordance with Section 328 (1) Sentence 4 No. 1 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 annual financial statements and to the audited management report.

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 annual 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 annual financial statements and the audited management report as well as the audited ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the German Federal Gazette [Unternehmensregister] – are merely electronic reproductions of the audited annual financial statements and the audited 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 Wirtschaftsprüfer (German Public Auditor)	gez Luce Wirtschaftsprüfer (German Public Auditor)

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