2023

ANNUAL REPORT

GATEWAY
REAL ESTATE

AT A GLANCE

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KEY FINANCIAL INDICATORS

in € thousand	2023	2022
Financial performance indicators		
Revenue	18,765	10,331
Gross profit	171,423	136,955
EBIT adjusted	–142,876	18,380
EBT	–181,456	–33,891
Consolidated profit/loss	–171,209	–31,667
Earnings per share in €	–0.92	–0.17
Financial position and liquidity ratios		
Total assets	1,384,797	1,431,550
Equity	212,842	379,049
Equity ratio	15.4%	26.5%
Cash and cash equivalents	8,121	8,951
Net financial debt	953,632	835,292
Portfolio indicators		
Average gross development volume (GDV) in € billion	5	6
Number of projects (as of end of December)	10	8

OVERVIEW OF THE FISCAL YEAR

2023

GATEWAY REAL ESTATE AG CLOSES
THE FISCAL YEAR 2023 WITH
A **CONSOLIDATED LOSS** OF **€ –171.2 MILLION**

EBIT ADJUSTED AMOUNTS TO **€ –142.9 MILLION**
IN THE FISCAL YEAR 2023

GROSS DEVELOPMENT VOLUME (GDV) AMOUNTS TO
€ 5 BILLION IN 2023

EARNINGS PER SHARE AMOUNT TO **€ –0.92**
IN THE FISCAL YEAR 2023

SHARE PRICE AT YEAR-END 2023: **€ 0.68**
(XETRA CLOSING PRICE ON DECEMBER 29, 2023)

FORECAST FOR 2024: **EBIT ADJUSTED OF € 20–30 MILLION**
AND **EBT OF € 2.5–7.5 MILLION**

ABOUT US

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

WE DEVELOP SUSTAINABLE AND MODERN LIVING QUARTERS USING WOOD CONSTRUCTION METHODS ACROSS GERMANY, PRIMARILY IN THE TOP 8 CITIES AND SELECTED HIGH-GROWTH REGIONS.

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

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LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS, DEAR LADIES AND GENTLEMEN,

The past fiscal year 2023 continued to be characterized by challenging market conditions. High financing costs and the increase in construction costs, along with stricter energy requirements and regulatory uncertainties, have led to construction projects in the German construction industry being stopped or canceled and to the insolvency of well-known project developers. High interest rates also make business operations more difficult in two ways: Firstly, higher interest rates make refinancing on the capital market more expensive, and secondly, they tend to make sales more difficult. The strong reluctance of investors to enter into purchase transactions led to a decline in the transaction volume on the German real estate market in the past fiscal year 2023 by 52% over the previous year to a total of €31.7 billion, the lowest value since 2011.

GATEWAY was unable to escape these challenging market conditions. Nevertheless, demand for affordable housing remains high due to the rising population and the fact that new construction volume continues to be below the target level. This is the focus of our strategic positioning and of our current projects.

With regard to the past fiscal year 2023, considerable adjustment effects have had a significant negative impact on our forecast for 2023. This refers to, in particular, the fair value adjustment of the investment properties in the amount of €52.5 million, while the loss allowances recognized for outstanding receivables in the amount of €105 million also had a significant negative impact on our earnings, albeit with no effect on liquidity.

As of the reporting date (December 31, 2023), GATEWAY has liabilities due in the short term in the amount of €810,147 thousand. As a result, we had – and still have – to hold various discussions with our financing partners as regards the extension of our financing arrangements. This also led to a delay in the publication of the 2023 Annual Report. Agreements to extend financings have been reached for various projects, while negotiations are still ongoing with some of our financing partners. This gives rise to risks, which we have described in detail in our risk report as part of this annual report.

However, we were able to push forward our project developments as planned, notably the closing of a sales agreement in August 2023 for a construction site in Mannheim. The associated construction commitment will be fulfilled in the fourth quarter of 2024.

In addition, we concluded a ten-year lease with Saxony's state capital Dresden for around 38,000 square meters as a tenant for our existing building in Dresden.

As mentioned above, the Company was unable to escape the general market trend, which is reflected in the full-year figures for 2023. EBIT adjusted, which is a key financial indicator for us and represents operating profit plus the result from investments accounted for using the equity method, was negative overall at €–142.9 million in fiscal year 2023, while earnings before taxes (EBT) also were negative at €–181.5 million as of the end of December 2023. Consolidated loss (earnings after tax) amounted to €–171.2 million, corresponding to negative earnings per share of €–0.92.

As of fiscal year-end 2023, Group equity amounts to €212.8 million, which corresponds to an equity ratio of 15.4%.

The 2023 Annual General Meeting of Gateway Real Estate AG was held on August 30, 2023. After general meetings had been held as virtual meetings due to the tense pandemic-related requirements in the past years, the Annual General Meeting in the reporting year 2023 was held as an in-person event in Berlin for the first time again. At last, a direct exchange with our shareholders in a personal meeting was made possible again, and we are pleased once again that all the resolutions proposed by Management Board and Supervisory Board were approved by a large majority at the Annual General Meeting.

In fiscal year 2024, we continue to be faced with further challenges. Market conditions remain difficult in every respect, even if the first interest rate hikes by the ECB have given rise to hopes of recovery. Some of our project developments will reach a stage of development at which the planned realization can be implemented in connection with a transaction. We have taken the necessary steps to achieve this. The positive outcome of ongoing negotiations to extend existing financing and to secure new or restructured financing arrangements to realize ongoing projects will be essential for a turnaround. However, the results achieved so far and the positive development of ongoing negotiations can be the basis for a cautiously optimistic outlook. Therefore, the Management Board expects an adjusted EBIT of €20–30 million and consolidated earnings before taxes (EBT) of €2.5–7.5 million for the fiscal year 2024.

Finally, I would like to express my regret that my former colleague on the Management Board – at his own request – did not extend his Management Board contract, which was due to expire at the end of 2023. I would like to thank him for his excellent collaboration and wish him all the best for his personal and professional life.

As every year, we would like to thank our employees, without whom we would not be able to navigate through the rough waters caused by the current challenges.

Frankfurt am Main, September 23, 2024

Stefan Witjes

COMPANY PROFILE

THE BUSINESS MODEL

Gateway Real Estate AG (in the following also referred to as "GATEWAY", "Company" or "Group") is one of the leading listed developers of residential real estate and urban quarters in Germany, using resource-saving wood construction methods. The Company's focus is on developing sustainable, state-of-the-art real estate using wood construction methods in Germany's high-demand metropolitan regions. The core regions are Germany's Top 8 cities, i.e. the Top 6 cities plus Dresden and Leipzig, and further selected high-growth regions. GATEWAY follows a holistic business model covering the entire value chain.

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

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

IDENTIFICATION, PROCUREMENT AND ACQUISITION

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

PLANNING AND MANAGEMENT

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

MARKETING AND SALES

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

CONSTRUCTION ACTIVITIES

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

ASSET AND PROPERTY MANAGEMENT

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

THE GATEWAY PROJECT PORTFOLIO

AS OF YEAR-END 2023, GATEWAY HAS A REGIONALLY DIVERSIFIED, NATIONWIDE PROJECT DEVELOPMENT PORTFOLIO IN THE TOP 8 CITIES AS WELL AS IN SELECTED HIGH-GROWTH REGIONS.

THE MANAGEMENT TEAM

MANAGEMENT BOARD

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

As of December 31, 2023, the Management Board of Gateway Real Estate AG had two members. Tobias Meibom's term of office expired as of the end of the fiscal year.

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

Tobias Meibom has more than 20 years of experience in the real estate industry and in the areas of finance, due diligence and taxes. He holds a master's degree in Business Administration (Diplom-Kaufmann) and worked at business law firm Nörenberg Schröder as a tax consultant and auditor for various listed companies. Afterwards, he spent many years as Director Finance at the listed TAG Immobilien AG and subsequently in its operating subsidiaries as a member of the management boards (JUS Aktiengesellschaft für Grundbesitz, AGP AG). After a board membership in a company from the renewable energy sector, Tobias Meibom was appointed Chief Financial Officer of Gateway Real Estate AG for the first time in 2011. The contract with Tobias Meibom expired on December 31, 2023, and was not extended upon his request.

Stefan Witjes
Chief Operating Officer (COO)

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

SUPERVISORY BOARD

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

As of December 31, 2023, GATEWAY's Supervisory Board consisted of the following experienced experts:

Norbert Ketterer
Chairman of the Supervisory Board

Thomas Kunze
Deputy Chairman of the Supervisory Board

Ferdinand von Rom
Member of the Supervisory Board

Jan Hendrik Hedding
Member of the Supervisory Board

Leonhard Fischer
Member of the Supervisory Board

Ferdinand von Rom resigned from the Supervisory Board with effect from January 31, 2024, and Jan Hendrik Hedding resigned from the Supervisory Board with effect from February 15, 2024.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

we look back on a fiscal year full of challenges. In particular, the continued interest rate hikes introduced by central banks in response to global economic changes had a major impact on the situation in the real estate sector. That being said, the ongoing pressure to implement innovative and environmentally friendly solutions also remained noticeable in 2023.

Considering this, the Company adjusted its investment strategies and strengthened its risk management processes in order to navigate the Company through a potentially volatile environment. We have also further expanded our strategic partnerships in order to sharpen our profile as a developer of sustainable residential buildings using timber construction methods.

In addition to the economic challenges, we also had to face changes within our management team. It was with great regret that we bid farewell to Management Board member Tobias Meibom at the end of the year, whose contribution to the Company was of great value. In addition, Ferdinand von Rom and Jan Hendrik Hedding also left the Supervisory Board at the beginning of 2024. Their commitment and foresight were also of huge importance for navigating our Company successfully through these difficult times.

We are now on the verge of a new chapter and are confident that the foundations we have laid will carry the company through the coming year and beyond.

TRUSTING COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In the fiscal year 2023, the Supervisory Board focused on fulfilling its duties imposed upon it by legal regulations, the German Corporate Governance Code and Gateway Real Estate AG's Articles of Association with utmost care. In particular, the Supervisory Board advised the Management Board in governing the Company on a regular basis and continuously monitored its activities. The cooperation between these two corporate bodies was always characterized by a trusting and constructive atmosphere.

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

SUPERVISORY BOARD MEETINGS

In fiscal year 2023, the Supervisory Board held a total of five meetings in the form of video or conference calls. The subject matter of the meetings referred to current business development as well as various significant individual matters and transactions subject to approval.

In its meeting on **January 23, 2023**, the Supervisory Board approved the declaration of compliance with the German Corporate Governance Code. The Supervisory Board meeting on January 23, 2023 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

In its meeting on **April 24, 2023**, the Supervisory Board discussed the planning for fiscal year 2023 and approved the respective forecast. The Supervisory Board meeting on April 24, 2023 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

The Supervisory Board meeting for the approval of the financial statements was held on **April 27, 2023**. As part of this meeting, the Supervisory Board, in consultation with the auditor and the Management Board, approved the annual and consolidated financial statements as of December 31, 2022, including the related management reports, the dependent company report, the remuneration report as well as the corresponding reports of the auditor. In addition, the Supervisory Board discussed and resolved upon the appropriation of net retained profit and approved the report of the Supervisory Board to the Annual General Meeting. The Supervisory Board meeting on April 27, 2023 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

In its meeting on **July 14, 2023**, the Supervisory Board discussed and resolved upon convening the Annual General Meeting 2023 and approved various legal transactions in connection with the Company's project development business. In addition, the Management Board received reports concerning the Company's financial position. The Supervisory Board meeting on July 14, 2023 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

On **December 22, 2023**, the Supervisory Board met for the last time in the reporting year and once again discussed the Company's financial position and, in addition, prolonged the term of office of Management Board member Stefan Witjes. The Supervisory Board meeting on December 22, 2023 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has an Audit Committee that consisted of Jan Hendrik Hedding (Chairman) as well as Ferdinand von Rom and Thomas Kunze in the reporting year. Upon the resignation of both Ferdinand von Rom and Jan Hendrik Hedding at the beginning of 2024, which resulted in the Supervisory Board consisting of only three members, the Supervisory Board concurrently became the Audit Committee pursuant to Section 107 (4) sentence 2 AktG.

As before, the Supervisory Board also has a Real Estate Committee consisting of Norbert Ketterer and Thomas Kunze.

CORPORATE GOVERNANCE

The Supervisory Board continuously monitored and discussed the development of corporate governance within the GATEWAY Group. Comprehensive information is included in the corporate governance statement for the fiscal year 2023 which can be accessed on the Company's website.

Information about the structure and the amount of the remuneration for members of the Management Board and the Supervisory Board can also be found in a separate remuneration report for the fiscal year 2023, which also has been published on the Company's website.

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

AUDIT OF ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The auditor appointed by the Annual General Meeting on August 30, 2023 – Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg – has audited the annual financial statements of Gateway Real Estate AG as well as the consolidated financial statements as of December 31, 2023, as prepared by the Management Board, including the respective management reports, and issued unqualified audit opinions thereon.

Any of these filings, including the Management Board's proposal on the appropriation of the net retained profit and the report on relationships with affiliated companies for the fiscal year 2023 pursuant to Section 312 AktG ("dependent company report"), were made available to the Supervisory Board in due time and were the subject of the meeting of Supervisory Board on September 23, 2024; representatives of the auditor also participated in these meetings. The auditors presented the key audit matters and the material findings of their audit and discussed in more detail the key audit matters and the audit procedures employed. The auditors were available to the members of the Supervisory Board for detailed discussions. No circumstances were identified that would indicate any partiality of the auditor.

The Supervisory Board reviewed the annual and consolidated financial statements for the fiscal year 2023, the respective management reports of the Management Board, and concurred with the findings of the audit conducted by the auditor. Based on its own review, the Supervisory Board determined that no objections have to be raised against the annual and consolidated financial statements and the respective management reports. According to the recommendation of the Audit Committee, the Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board. The annual financial statements of Gateway Real Estate AG were thus adopted.

PROPOSAL ON THE APPROPRIATION OF NET RETAINED PROFIT

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

REVIEW OF THE DEPENDENT COMPANY REPORT

In the fiscal year 2023, Gateway Real Estate AG was a dependent company within the meaning of Section 312 AktG. Therefore, the Management Board of Gateway Real Estate AG has prepared a dependent company report for fiscal year 2023 which includes the following closing statement:

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

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

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

Based on its own review, the Supervisory Board followed the opinion of the auditor. The review did not give rise to any objections. Moreover, the Supervisory Board did not raise any reservations against the Management Board's closing statement in the dependent company report for the fiscal year 2023.

DISCLOSURE OF CONFLICTS OF INTEREST

In compliance with the German Corporate Governance Code, each member of the Management Board and the Supervisory Board shall disclose any conflicts of interest that may arise. A key contractual partner of Gateway Real Estate AG is NOKERA, a company specializing in serial timber construction, which was founded by Norbert Ketterer and of which he is Chairman of the Board of Directors. Moreover, Jan Hedding is Chief Financial Officer (CFO) at NOKERA. Against this backdrop, Norbert Ketterer and Jan Hedding did not participate in the vote on the Supervisory Board's resolution in July 2023 to commission NOKERA with general contractor services for the project in Mannheim. In addition, Jan Hedding retired from the Supervisory Board of Gateway Real Estate AG in February 2024 in order to focus more strongly on his work at NOKERA.

Berlin, September 2024
For the Supervisory Board

Norbert Ketterer
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

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

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

In the fiscal year 2023, the Management Board and the Supervisory Board have continued to elaborate on principles of good corporate governance. In November 2021, the Company expanded its compliance framework on a large scale and introduced some amendments. This compliance framework includes strict and rigorous standards for entrepreneurial action which are binding for all employees of GATEWAY.

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 AKTG

The Management Board and the Supervisory Board of Gateway Real Estate AG declare that the Company has been in compliance with the recommendations of the Government Commission of the German Corporate Governance Code, as amended on April 28, 2022 ("**GCGC 2022**") since the issue of the declaration of compliance in January 2023, save for the following exceptions:

1. **Recommendation A.4:** Pursuant to the recommendation of the Code, employees and third parties shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the company ("whistleblowing"). The Management Board believes that the Company has an effective compliance management system even without establishing such a whistleblowing system since the Management Board and the Group Legal Department are closely integrated in the operating and legal units of Gateway Real Estate AG. Against this backdrop, the Management Board currently does not believe that establishing a formal whistleblowing system is necessary. The effort associated with introducing such a system is not reasonable in view of the potential benefits for the Company and stakeholders, particularly with respect to the Company's size, structure and business activities.

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

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

4. **Recommendations C.1 and C.2:** The Supervisory Board shall determine concrete objectives regarding its composition and shall prepare a profile of skills and expertise for the entire Board and shall aim at fulfilling the overall profile when making proposals to the Annual General Meeting concerning new appointments. Apart from determining a target for the share of women, the Supervisory Board of Gateway Real Estate AG has not yet determined concrete objectives for its composition and has not prepared a profile of skills and expertise for the entire Board. In its election proposals for the Supervisory Board, the Supervisory Board has based its decisions primarily on the individual professional and personal suitability of candidates. This is a tried-and-tested procedure in the view of the Supervisory Board.

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

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

7. **Recommendation D.4:** In derogation from Recommendation D.4, the Supervisory Board has not established a Nomination Committee. The Supervisory Board is of the opinion that the Supervisory Board as a whole shall early deal with decisions such as the appointment or nomination of Management Board and/or Supervisory Board members.

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

9. **Recommendations G.1, G.6–G.10 and G.12** set out requirements as regards the remuneration system and the determination of the remuneration. The Company deviates from this recommendation as far as variable remuneration components are used. The remuneration system, as resolved upon by the Supervisory Board and approved by the Annual General Meeting, currently does not provide for variable remuneration components for the Management Board. The Supervisory Board believes that the system adopted for the remuneration of the Management Board is appropriate even in this regard and is aimed at promoting a sustainable company development.

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

Berlin, January 2024
Gateway Real Estate AG

Management Board and Supervisory Board

DISCLOSURES REGARDING CORPORATE GOVERNANCE PRACTICES

WORKFLOWS AND COMPOSITION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

Dual management structure

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

The Management Board manages the business operations of the Company on its own responsibility with the aim of a sustainable value creation and in the interest of the Company, i.e. taking into consideration the interests of shareholders, employees and other groups affiliated with the Company (stakeholders). The Management Board and the Supervisory Board cooperate based on a trusting relationship for the benefit of the Company. The Management Board determines the Company's

business policy and develops the strategic orientation of the Company, coordinates it with the Supervisory Board, and ensures its implementation. The management is divided into business units based on a defined schedule of responsibilities, which in turn are allocated to the members of the Management Board. Adoption, amendment and revocation of the schedule of responsibilities require a resolution to be made by the Supervisory Board. Each Management Board member reports to the Management Board about measures, transactions and developments in his respective business areas that are material for the Company. In addition, the Management Board informs the Supervisory Board on a regular basis in a timely and comprehensive manner about the planning of business development, the risk situation, risk management and compliance. Reporting shall be made as early as possible.

In fiscal year 2023, the Management Board consisted of two members.

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

Name and function	Date of appointment	End of term of office	Responsibilities
Tobias Meibom, CFO	11/05/2018	12/31/2023	Finance, Legal, Investor Relations, IT
Stefan Witjes, COO	01/21/2021	12/31/2026	Property Project Development, Asset and Property Management, Central Purchasing, Service Companies

Tobias Meibom's term of office expired as of the end of the fiscal year. Since that date, Stefan Witjes has been solely responsible for the Company's Management Board.

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

—

Name	Function	Date of appointment	End of term of office
Norbert Ketterer	Chairman of the Supervisory Board	08/24/2016	Annual General Meeting 2026
Thomas Kunze	Deputy Chairman of the Supervisory Board	08/24/2016	Annual General Meeting 2026
Ferdinand von Rom	Member of the Supervisory Board	08/22/2018	01/31/2024
Jan Hendrik Hedding	Member of the Supervisory Board	08/21/2019	02/15/2024
Leonhard Fischer	Member of the Supervisory Board	12/21/2020	Annual General Meeting 2026

Ferdinand von Rom resigned from the Supervisory Board with effect from January 31, 2024. In addition, Jan Hendrik Hedding resigned from the Supervisory Board with effect from February 15, 2024. We are in the process of finding successors.

COMMITTEES

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

The Audit Committee was chaired by Jan Hendrik Hedding in the year under review. The other members of the Audit Committee in the reporting year were Ferdinand von Rom and Thomas Kunze. Upon the resignation of both Ferdinand von Rom and Jan Hendrik Hedding, which resulted in the Supervisory Board consisting of only three members, the Supervisory Board concurrently became the Audit Committee pursuant to Section 107 (4) sentence 2 AktG.

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

SUCCESSION PLANNING

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

AGE LIMIT

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

SELF-ASSESSMENT

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

DIVERSITY CONCEPT

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

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

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

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

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

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

DISCLOSURE OF CONFLICTS OF INTEREST

In compliance with the German Corporate Governance Code, each member of the Management Board and the Supervisory Board shall disclose any conflicts of interest that may arise. A key contractual partner of Gateway Real Estate AG is NOKERA, a company specializing in serial timber construction, which was founded by Norbert Ketterer and of which he is Chairman of the Board of Directors. Moreover, Jan Hedding is Chief Financial Officer (CFO) at NOKERA. Against this backdrop, Norbert Ketterer and Jan Hedding did not participate in the vote on the Supervisory Board's resolution in July 2023 to commission NOKERA with general contractor services for the project in Mannheim. In addition, Jan Hedding retired from the Supervisory Board of Gateway Real Estate AG in February 2024 in order to focus more strongly on his work at NOKERA.

D&O INSURANCE

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

DIRECTORS' DEALINGS

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

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

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

COMPLIANCE

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

REMUNERATION REPORT

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

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

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

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

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

FIXED REMUNERATION

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.

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

The following overview shows the remuneration granted to the current members of the Management Board in the year under review (2023). The overview comprises all amounts actually paid to the individual Management Board members in the reporting year (2023). 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	2022	2023	2023 (min)	2023 (max)	2022	2023	2023 (min)	2023 (max)
Fixed remuneration	690	690	690	690	690	690	690	690
Fringe benefits	0	0	0	0	28	26	26	26
Total	690	690	690	690	718	716	716	716
Pension benefits	0	0	0	0	8	8	8	8
Total remuneration	690	690	690	690	726	724	724	724

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 2023 can be broken down as follows:

Member of the Supervisory Board	Time period	Remuneration in 2023 in € thousand	Remuneration in 2022 in € thousand
Norbert Ketterer (Chairman of the Supervisory Board)	01/01/2023–12/31/2023	40	40
Thomas Kunze (Deputy Chairman of the Supervisory Board)	01/01/2023–12/31/2023	30	30
Ferdinand von Rom	01/01/2023–12/31/2023	20	20
Jan Hendrik Hedding	01/01/2023–12/31/2023	20	20
Leonhard Fischer	01/01/2023–12/31/2023	20	20

COMPARATIVE PRESENTATION OF CHANGES IN REMUNERATION AND FINANCIAL PERFORMANCE

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

	Change in 2023 compared to 2022 in %	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 %
Member of the Management Board					
Tobias Meibom	–0.28	0	41	0	0
Stefan Witjes[1]	0	9	100	–	–
Members of the Supervisory Board					
Norbert Ketterer	0	0	0	0	100
Thomas Kunze	0	0	0	0	100
Ferdinand von Rom	0	0	0	0	100
Jan Hendrik Hedding[2]	0	0	0	300	100
Leonhard Fischer[3]	0	0	4,000	100	–
Financial performance					
EBT as reported in the consolidated financial statements	–435	–148	–40	–11	216
Employees					
Average wage/salary	10.77	–41.79	69.51	–	–

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

THE GATEWAY SHARE

SHARE INFORMATION

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ISIN/WKN	DE000A0JJTG7/A0JJTG
Number of shares	186,764,040
Share capital	€186,764,040.00
Ticker symbol	GTY
Market segment	Regulated market (Prime Standard)
Subsector	Real estate
Trading venues	Xetra, Frankfurt am Main, Duesseldorf, Munich, Berlin, Hamburg, Stuttgart
Designated Sponsor	ODDO BHF
Opening price (January 2, 2023)	€4.08
Closing price (December 29, 2023)	€0.68
Highest price (January 5, 2023)	€4.24
Lowest price (December 22, 2023)	€0.66
Market capitalization (December 29, 2023)	€126.1 million

SHAREHOLDER STRUCTURE

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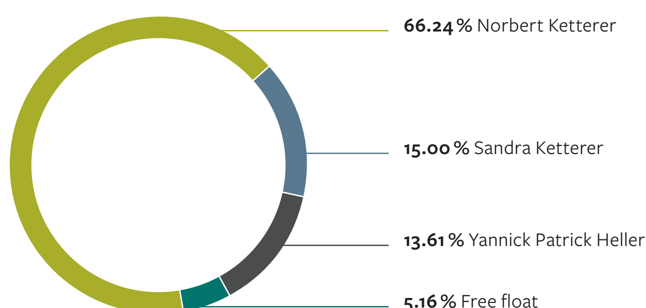
AS OF DECEMBER 31, 2023



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GROUP MANAGEMENT REPORT OF GATEWAY REAL ESTATE AG

1. FUNDAMENTAL INFORMATION ON THE GROUP

1.1 BUSINESS MODEL

Gateway Real Estate AG (in the following also referred to as "GATEWAY", "Company" or "Group", in each case referring to the GATEWAY Group as a whole) is a listed developer of residential real estate in Germany with a market capitalization of around €126 million (as of December 29, 2023). Established in 2006, GATEWAY can look back on extensive expertise in the German real estate market and is currently (as of December 31, 2023) developing real estate with a gross development volume (GDV) of more than €5 billion.

In this context, GATEWAY focuses on Germany's Top 8 cities – Berlin, Dresden, Duesseldorf, Frankfurt am Main, 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 and the related financing arrangements, 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 O THE GATEWAY GROUP

As of December 31, 2023, the GATEWAY Group had 26 (previous year: 25) and 28 (previous year: 27) employees on average for the year, in addition to the Management Board.

The commitment and the extensive technical and professional expertise of the employees and managers are major prerequisites for GATEWAY's success, which is why the Group has set itself the goal of retaining employees in the long term and creating an attractive working environment. In addition to competitive remuneration models in line with market conditions, these also include external and internal trainings and advanced training courses geared to the needs of the respective employees for individual support and development. By providing a modern, digital work infrastructure, GATEWAY wants to enable its employees to work from their home office (telecommuting) and thus also wants to promote a reasonable work-life balance. 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 modern publicly traded company, 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 8 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:** In the Residential Properties Development segment, the Group focuses on development activities in selected metropolitan regions in Germany, normally Germany's Top 8 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 plans to develop the majority of its assets on its own, however, and also plans to transfer residential real estate developments into its own portfolio after completion.

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

FINANCIAL PERFORMANCE INDICATORS

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

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

1.3 CORPORATE GOVERNANCE STATEMENT

The corporate governance statement in accordance with Sections 289f and 315d HGB for the Company and the Group can be retrieved from the Company's website in the Investor Relations section under the following link:

https://www.gateway-re.de/en/investor-relations/corporate-governance/corporate-governance-statement/

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.

2. REPORT ON ECONOMIC POSITION

2.1 GENERAL STATEMENT ON THE REPORT ON ECONOMIC POSITION

The global economy remains exposed to the challenges presented by inflation and low growth prospects. According to estimates by the International Monetary Fund (IMF), global GDP increased by 3.1% in 2023. According to these estimates, the economies of highly developed countries grew by an average of 1.6%, while those of emerging and developing countries achieved growth of 4.1% on average. India recorded the highest economic growth at 6.7%, followed by China at 5.2%. The U.S. economy grew by 2.5%, thus outperforming the other highly developed economies. One exception was Germany, whose economic output declined by 0.3% year-on-year.

The European economy lost some of its momentum in the year 2023. According to the European Commission, the economy was held back by a declining purchasing power of private households, a considerable monetary tightening, the partial withdrawal of fiscal support measures, and falling foreign demand. GDP growth in 2023, therefore, amounted to a mere 0.5% in both the EU and the eurozone. In the course of 2023, the seasonally adjusted unemployment rate fell from 6.1% to 5.9% in the European Union and from 6.7% to 6.4% in the eurozone, according to Eurostat. ECB and Eurostat reported an annual inflation rate in the eurozone of 2.9% in December 2023, compared to 9.2% a year earlier. In the European Union, prices rose by 3.4% year-on-year in December 2023, compared to 10.4% in December 2022.

GATEWAY believes that the economic, sociodemographic and industry-specific development in Germany in 2023, especially in the cities in which GATEWAY operates, generally is a positive factor for the Group's future business activities. However, high interest rates and increased material costs as well as stricter energy requirements and regulatory uncertainties are weighing on the German construction industry and have led to construction projects being stopped or canceled, and well-known project developers becoming insolvent. Nevertheless, in the wake of declining new residential construction, particularly also for single- and two-family homes, and increased migration, demand-side pressure on the market for residential real estate will increase in the short and medium term.

2.2 ECONOMIC FRAMEWORK

2.2.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

As in the previous year, the economic development in 2023 remained characterized by the war in Ukraine, which among other things resulted in shortages in individual markets, and by inflation. Unlike in 2022, the COVID-19 pandemic hardly had any noticeable impact. China announced the end of its strict zero-COVID policy at the beginning of December 2022 and gradually eased it in the weeks that followed.

As a result, despite the negative effects, the global economy initially got off to a strong start in 2023 but experienced a significant slowdown over the summer and lost further momentum by the end of the year, as the German Federal Ministry for Economic Affairs and Climate Action stated in an analysis published jointly with various economic research institutes at the end of November 2023. The main reasons for the slowdown in economic momentum were still weak industrial production and the sharp rise in interest rates in most regions of the world. Higher financing costs inhibited investments. In addition, there was a lack of impetus from China where high levels of debt weighed on the real estate sector.

In 2023, central banks continued to counter high inflation with a restrictive monetary policy. The US Federal Reserve raised its key interest rates in four steps over the course of the year from 4.5% to 5.5%, the highest level in 22 years. In 2023, the European Central Bank (ECB) raised its key interest rate six times from 2.5% to 4.5%, the highest level since the early 2000s. In the United Kingdom, the base rate reached 5.25% in 2023 and has remained unchanged since August. Only the Bank of Japan continued its expansive monetary policy, with the key interest rate standing at –0.10% at the end of 2023.

According to the German Federal Ministry for Economic Affairs and Climate Action, the turnaround in interest rates, which began in 2022 and continued into the third quarter of 2023, came with considerable challenges to the economy. The supply chain problems that arose during the pandemic were largely resolved in 2023. Despite this, the IMF estimates that global trade only grew by 0.9%, compared to 5.1% in 2022. According to the Ministry for Economic Affairs and Climate Action, this reflects the development of global demand, with increasing trade barriers also hampering global trade. Meanwhile, increased uncertainty about the future geo-economic situation has led to a reluctance to invest.

2.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

According to an initial estimate issued by the German Federal Statistical Office (Destatis), at least 84.7 million people lived in Germany at the end of 2023, more than ever before. The population grew by 0.3 million people compared to the end of 2022. This means that the increase is back in line with the

average for the years 2012 to 2021. On a net basis, 1.1 million people migrated to Germany in 2022, many of them fleeing war and most of them coming from Ukraine. Net immigration continued to be the sole cause of population growth in 2023.

As in the previous year, the number of births fell by around 7% to between 680,000 and 700,000 in 2023 (2022: 738,819), according to Destatis. The number of births was offset by at least 1.02 million deaths (2022: 1.07 million), a decrease of around 4%. This results in a birth deficit of at least 320,000, which corresponds to the previous year's level of 328,000.

The population trend in Germany varies from region to region. According to Destatis, the population in the western federal states increased by 10% to 68 million between 1990 and 2022, while it fell by 15% to 12.6 million in the eastern federal states over the same period.

One reason for this is the migration from the eastern to the western federal states that began after German reunification. Between 1991 and 2000, a net total of around 611,000 people moved from eastern Germany to western Germany. In the following decade, the balance was again around 553,000 people. Between 2011 and 2022, a total of around 52,000 more people moved from the East to the West than vice versa. However, since 2017, eastern Germany has recorded more immigration from western Germany than emigration to western Germany.

Younger people in particular have emigrated from the eastern federal states. Since reunification, a net total of more than 731,000 people under the age of 25 have moved to the West. The figure for people aged 25 to 65 was around 491,000. Among the people at the age of over 65, net migration was almost balanced at around 6,000 people.

Another reason for the stronger population growth in western Germany is the higher immigration from abroad in relation to the number of inhabitants. Between 1991 and 2022, positive net migration in the eastern federal states (excluding Berlin) amounted to around 1.2 million people. In contrast, net immigration to the western federal states was around seven times as high at just under 8.9 million people. In 2022, the difference between immigration and emigration in the western federal states amounted to 1,145,000 people. 2,163,000 people immigrated from abroad. In the eastern federal states, net migration amounted to 221,000 people in 2022. Here, 337,000 people had migrated from abroad.

According to the latest microcensus data, Germany had a total of 40.9 million private households in 2022. Of these, 32.5 million households were in western Germany and 8.4 million in eastern Germany. One-person households make up the largest group (16.7 million households), corresponding to a share of 40.8%, followed by two-person households with 13.8 million (33.7%). The number of households with three or more people was 10.4 million, equivalent to a share of 25.5%.

According to Destatis, around 11.9 million households had at least one child. Of these, 5.9 million households, i.e. half the number of households, were one-child families, while the number of households with two children was 4.4 million households (37% of the total number). There was a total of 1.5 million households with three or more children in 2022, or 13% of all families. Ten years earlier, the proportion of one-child families was 53%, two-child families 36%, and families with at least three children only 11%.

Urbanization continues to increase. According to Destatis, 77.7% of the total population lived in cities in 2022, while the figure was 77.2% ten years earlier.

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

According to calculations by the Federal Statistical Office (Destatis), Germany's price-adjusted economic output declined by 0.3% to €4,121 billion in 2023. Adjusted for calendar effects, gross domestic product (GDP) fell by 0.1%. The main negative factors were relatively high prices at all levels of the economy, unfavorable financing conditions due to rising interest rates, and lower domestic and foreign demand. As price-adjusted imports fell more sharply than exports in 2023, GDP was supported by a net positive trade balance. This fell well short of the 0.2% growth forecast for 2023 published by the German Council of Economic Experts in spring.

According to Destatis, developments in the individual economic sectors varied greatly. The construction industry as a whole recorded a small price-adjusted increase of 0.2% in 2023. High material costs, a shortage of skilled workers and deteriorating financing conditions hampered construction activity, particularly in building construction. In contrast, production in civil engineering and the finishing trade increased.

At the same time, the demand side lacked momentum. According to Destatis, price-adjusted private consumption in 2023 fell by 0.8% compared to the previous year. Compared to the pre-COVID-19 year 2019, the gap widened to –1.5%. High consumer prices are likely to be a key reason for consumer restraint. In addition, the public sector cut back and reduced consumption for the first time in 20 years. The 1.7% cut in spending is the result of the phased-out measures to combat the coronavirus pandemic and its consequences.

Investments in equipment increased significantly at a price-adjusted 3.0% compared to 2022. According to Destatis, the increase in new commercial car registrations was the main contributing factor. The environmental bonus for electric cars in the company car sector, which applied until August 2023, is likely to have supported demand.

In 2023, according to Destatis, investments in construction projects fell by 2.1% on a price-adjusted basis. High construction prices and the noticeable rise in interest rates slowed residential construction in particular. Only the finishing trade sent out positive signals, which is presumably due to strong demand for energy-efficient renovations.

The global and domestic economic burdens caused insolvencies in Germany to rise over the course of 2023. In its Finance Insolvency Report, the consulting firm Falkensteg stated that a total of 27 major insolvencies, i.e. companies with a turnover of over €20 million, occurred in the first quarter of 2023. In the second quarter, the number rose to 39 major insolvencies, and in the third quarter to 45. The sectors primarily affected by these insolvencies were mechanical engineering companies and suppliers to the automotive industry as well as retailers and operators of healthcare facilities. With a total of twelve major insolvencies, the majority of the major insolvency proceedings initiated in the third quarter concerned the construction industry.

While the rate of inflation in Germany decreased in 2023, it remained well above the ECB's target corridor of 2%. According to Destatis, consumer prices rose by an annual average of 5.9% in 2023 compared to 2022. In 2022, inflation had been at 6.9%.

According to Destatis, German government debt decreased by €14 billion to €82.7 billion in 2023 compared to 2022. Although the German federal government still accounts for the major share (€72.4 billion), its financing requirements fell by €51.9 billion On the one hand, measures to combat the coronavirus pandemic were largely discontinued. On the other hand, some of the relief packages adopted by the federal government in the previous year to mitigate the energy crisis and stabilize the economy expired. In contrast, the net debt balances of the federal states and municipalities deteriorated, partly due to lower transfer payments from the federal government. At the same time, expenditure increased, particularly in the municipalities, partly because a large number of refugees were taken in. Overall, Germany's deficit ratio of 2.0% of GDP therefore remains below the European reference value of 3% from the German Stability and Growth Pact.

Destatis reported an average of 45.9 million people in employment in Germany in 2023. This was a year-on-year increase of 333,000 people, or 0.7%. Never before have so many people been employed in Germany. Immigration of foreign workers and the increasing labor force participation of the domestic population outweighed the effects of the aging population. The rise in employment in 2023 was almost exclusively in the services sector. The unemployment rate in Germany was 5.7% on average for the year 2023 as a whole, compared to 5.3% in the previous year.

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 4.5% in Munich to 9.1% in Berlin in December 2023. Stuttgart (5.1%) and Augsburg (5.5%) remained below the national average, followed by Frankfurt am Main (5.9%) and Dresden (6.1%). By contrast, Duesseldorf (7.0%), Leipzig (7.1%), Mannheim (7.2%) and Hamburg (7.4%) were well above the national average. In addition to the German capital, Chemnitz (8.4%) and Cologne (8.7%) were among the cities with the highest proportion of unemployed people in the working population at the end of 2023.

2.2.4 DEVELOPMENT OF REAL ESTATE MARKETS

The German real estate market continued to suffer from unfavorable conditions in 2023. The war in Ukraine and the resulting sanctions imposed on Russia continued to disrupt supply chains. This led to a shortage of energy sources and construction materials, which affected prices and made it more difficult to estimate costs for construction projects. This was compounded by a massive rise in interest rates, which meant that a significant number of construction projects and investments were no longer profitable. In addition, real estate investments yielded lower returns than other capital investments in an environment of rising interest rates, meaning that the transaction market also slowed down noticeably. Overall, the construction industry lost momentum in 2023.

According to JLL, the transaction volume on the German real estate market fell by 52% year-on-year to a total of €31.7 billion in 2023, the lowest level since 2011. Despite a slight easing on the transaction market in the fourth quarter, the value of purchases and sales remained 58% below the 10-year average. Only 39% of the transaction volume was attributable to the Top 7 locations of Berlin, Duesseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart.

According to JLL, the value of individual transactions amounted to €20 million, thus reaching just under half of the previous year's level (–49%). Portfolio deals only reached a volume of €12 billion in 2023, a decline of 56%. Large transactions were rare in the reporting year. Vonovia sold around 30% of the shares in the Südewo portfolio to Apollo in the spring and 30% of a portfolio with 31,000 apartments in northern Germany later in the year. Slate Asset Management acquired several supermarkets and local retail properties from x+bricks. Only 49 transactions had a value of more than €100 million each, compared to 121 deals in the previous year. There were ten large-volume transactions in both the residential and office categories.

The market for office investments almost completely collapsed in 2023, according to JLL. The volume of deals involving office properties was just €5.2 billion. This is the lowest figure since the cyclical low in 2009 following the financial crisis. This means that office properties only accounted

for just under 17% of the total transaction volume. Retail properties accounted for 17%, and logistics and industrial properties for a historically high 23%. However, residential properties dominated with a share of 29%.

Overall, price pressure on office properties has remained high. Over the course of 2023, the prime yield for office buildings rose by an average of almost 100 basis points to 4.29% across the seven strongholds. Although prices for apartment buildings have also fallen, they have not fallen as much as office properties. On average across all seven real estate strongholds, the prime yield for residential buildings was 3.71%, 73 basis points higher than in the previous year.

Office market

According to JLL, the largest office market in the fourth quarter of 2023 was Berlin with 22.1 million sqm of office space, closely followed by Munich with 21.9 million sqm. Both cities recorded one of the largest space growth on a net basis (1.5% and 1.3%, respectively). In Hamburg, as in the previous year, the stock grew by 1.5% to 15.7 million sqm, followed by Frankfurt am Main (11.8 million sqm; +0.5%), Duesseldorf (9.4 million sqm; +0.3%), Stuttgart (9.2 million sqm; +0.7%) and Cologne (7.9 million sqm; +0.4%).

Despite a decline of around 30%, Berlin remained the largest German office market in 2023 with a take-up of 541,000 sqm, according to BNP Paribas Real Estate. Munich again ranked second with 467,000 sqm, thus falling short of the previous year's level by around 36%. Due to four rental agreements of more than 10,000 sqm each, Hamburg achieved an annual take-up of 450,000 sqm, only 12% below the long-term average. In Frankfurt am Main, take-up amounted to 394,000 sqm, which is a decline by one fourth quarter compared to 2022. Duesseldorf recorded a moderate 8% decline in take-up to 250,000 sqm. In Stuttgart, office take-up fell by as much as 48% to 156,500 sqm.

Construction activity in the German office market declined noticeably due to the negative impact of high interest rates, staff and material shortages, and an uncertain economic outlook, resulting in work being stopped at numerous construction sites. According to JLL, the volume of completions in Berlin halved year-on-year to 361,000 sqm in 2023. At 70,100 sqm, Duesseldorf recorded almost a third less new office space than in 2022. A decline in new office space was also reported in 2023 for Munich (309,500 sqm; –18%), Stuttgart (82,600 sqm; –22%) and Cologne (84,300 sqm, –10%). At 226,900 sqm (–2%), Hamburg was largely able to maintain its construction volume at the previous year's level. Only in Frankfurt am Main did completions exceed the previous year's level by 19% at 155,500 sqm.

Although less office space was created, the vacancy rate increased in all top office markets. According to JLL, Duesseldorf and Frankfurt am Main had the highest proportion of unused office space in the fourth quarter of 2023 (9.7% and 8.8%, respectively). In Berlin and Munich, 5.4% and 5.2%, respectively, were available for immediate rental. Hamburg and Stuttgart reported vacancies of 4.8% and 4.0%, respectively. Cologne had the lowest proportion of vacant offices at 3.3%. In Leipzig, 4.7% of space was also available for immediate occupancy.

Prime rents rose in all top office markets in 2023. JLL registered the highest prices per square meter in Munich (€50.00) and in Frankfurt (€46.50). Berlin follows with a prime rent of €44.00, ahead of Duesseldorf (€40.00). At €35.00, Stuttgart and Hamburg are on a par, ahead of Cologne (€32.50).

Residential real estate market

The significant rise in borrowing costs, risk premiums that are too low compared to other, equally safe asset classes, and the noticeable increase in uncertainty regarding further regulations significantly dampened the German residential investment market in 2023 Across Germany, an amount of €5.23 billion was invested in larger residential portfolios (30 residential units or more) in the reporting year. This was 60% below the previous year's figure. This is also 72% below the long-term average, and this was the lowest investment volume on record since 2010. No significant recovery was observed on the German residential investment market in the second half of the year. In addition to macroeconomic uncertainties and polycrisis-like effects, many market players assumed that prices would continue to fall. This has contributed to a strong reluctance to enter into purchase transactions on the part of investors as well as to the postponement or cancellation of projects.

In 2023, the German housing market was weighed down by two main factors: increased borrowing costs and insufficient risk premiums. Potential buyers of residential real estate had expected prices to fall in the wake of the key interest rate hikes and were therefore cautious in their purchasing decisions. According to information from BNP Paribas Real Estate, transactions involving larger portfolios of 30 residential units or more totaled €5.23 billion across Germany in the reporting year. This is a year-on-year decline of 60% and the lowest figure since 2010.

In 2023, BNP Paribas Real Estate overall recorded only seven residential portfolios with a value of over €100 million each. In total, they had a volume of €2.02 billion, corresponding to one sixth of the ten-year average. This means that large transactions only accounted for 39% of the total volume, compared to the long-term average of 57%. Smaller transactions of up to €25 million totaled €1.35 billion, thus accounting for just under 26% of the transaction volume.

According to BNP Paribas Real Estate, German investors were again the most important players in commercial residential real estate transactions in 2023 with a share of just under 68%. U.S. investors followed in second place with a share of 24%. Due to the high interest rates, a shift in buyer groups was observed in 2023. According to BNP Paribas Real Estate, investors with strong equity reserves in particular were able

to take advantage of the emerging opportunities. Family offices were one of the most important buyer groups in the reporting year, accounting for 19.1% of the transaction volume, after asset managers (24.4%). In contrast, listed real estate companies focused on refinancing their existing portfolios and were not active on the buyer side.

In the final quarter of 2023, BNP Paribas Real Estate recorded a slight increase in net prime yields for new-build properties. Munich and Berlin remain the most expensive locations (3.60% each), ahead of Frankfurt am Main (3.65%), and Hamburg and Stuttgart (3.70% each), followed by Duesseldorf (3.80%) and Cologne (4.0%).

With a transaction volume of €1.81 billion, Berlin accounts for 35% of the total volume. Munich has the second-highest share of sales (14%) and, with a volume of €716 million, is the only top German location to achieve a result above the long-term average (€581 million).

According to BNP Paribas Real Estate, residential real estate in Germany's six largest cities changed hands for a total of €3.1 billion in 2023 – only half of the previous year's volume. The A cities thus accounted for 59% (2022: 47%) of the nationwide transaction volume. Of that amount, €1.8 billion or 35% was attributable to Berlin, maintaining its status as the most important transaction market. Munich accounted for a share of 14% with €716 million.

The rise in financing costs also had a negative impact on the residential property market. According to an analysis published by the German Institute for Economic Research (DIW), prices for building plots and single-family homes fell by more than 2% and prices for condominiums by 1% to 2% nationwide compared to 2022. At 5%, prices for residential properties and building land fell the most in the A cities. Prices for single-family homes in medium locations were 7% lower than in 2022. Smaller cities were less affected by price corrections. In the D locations, prices for single-family homes fell by less than one percent, while building land and condominiums actually became slightly more expensive.

In 2023, the number of building permits declined due to the higher borrowing costs for construction, as well as stricter building regulations. According to Destatis, around 214,100 apartments were approved between January and December 2023. This is a decrease by almost 30% compared to the same period of the previous year.

In contrast to prices, according to the DIW, rents in Germany continued to rise due to increased demand for housing coupled with insufficient supply. The highest rent increases in existing properties were recorded in the C cities at 5%. In contrast, the rent increase in the A cities was the lowest at around 3%.

In addition to the A cities with the largest populations, GATEWAY's focus cities also include Augsburg, Chemnitz, Dresden, Leipzig 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 €192 million in 2022 to €165 million in 2023 – a decline of 14.1%. In the second half of 2023, the average asking rent was €12.26. In Chemnitz, with a population of around 249,000 people, the transaction volume of €120 million in the reporting year was 29.4% below the previous year's figure of €170 million. Rents, which have been rising steadily for years, continued their trend and stood at €5.73 in the second half of 2023. With a population of around 569,000 people, the state capital Dresden is the second-largest city in Saxony. According to Engel & Völkers Commercial, multi-family housing transactions totaled €400 million in 2023, down 45.1% from €728 million a year earlier. The average asking rent was €8.82 in the second half of the year. Leipzig is Saxony's largest city with a population of around 625,000. In the reporting year, multi-family homes with a volume of €350 million changed hands, compared to €505 million in 2022 (–30.7%). Apartments were offered for rent at an average of €9.91 in the second half of 2023. According to Mannheim's Municipal Statistics Office, around 326,000 people had their primary residence in Mannheim at the end of 2021. According to Engel & Völkers Commercial, the transaction volume for multi-family homes in Mannheim fell by 20.6% from €359 million in 2022 to €285 million in 2023. The average asking rent for existing apartments was €10.41 in 2023 and €12.69 for new buildings.

2.2.5 COMPETITIVE SITUATION AND MARKET POSITION OF THE GROUP

In fiscal year 2023, 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. Despite the very challenging market environment, the Company was very successful in maintaining its competitive position and was able to achieve its goals for 2023. The share price declined 9.5% during the year, and the market capitalization fell to €343 million as of year-end 2023.

With a market capitalization of around €126 million as of December 29, 2023, GATEWAY ranks in the upper mid-range of listed developers. This is one of the reasons why, as before, it is rather the large listed residential property companies, with their own project development activities, that can be regarded as being GATEWAY's competitors in the future.

2.3 BUSINESS DEVELOPMENT

The past fiscal year 2023 continued to be characterized by challenging market conditions. The rise in financing costs due to the ECB's restrictive monetary policy and the inflation-driven increase in construction costs, along with stricter energy requirements and regulatory uncertainties, have led to construction projects in the German construction industry being stopped or canceled and to the insolvency of well-known project developers. The strong reluctance of investors to enter into purchase transactions led to a decline in the transaction volume on the German real estate market in the past fiscal year 2023. Gateway Real Estate AG was unable to escape these challenging market conditions.

In terms of financing, Gateway Real Estate AG was subject to challenges with regard to the extension of key financing arrangements as a result of the negative influences mentioned above. The Management Board is currently in close consultation with all financing partners to counteract these challenges. In this context, we refer to the matters described in section 3.2.2 under the heading "Financing risks."

As a result of this and the ongoing tight market environment, there were several negative developments affecting the Company's financial performance.

Accordingly, loss allowances on financial receivables totaling €105.0 million were recorded, which the Management Board decided to recognize to account for risks identified after it had become aware of new information on the financial situation of the debtors concerned. In addition, a partial write-down on real estate projects held as inventories in the amount of €29.7 million was recognized. The fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale amounted to €–52.5 million due to measurement effects confirmed by way of an appraisal and affected by the abovementioned adverse market factors.

Nevertheless, in the fiscal year 2023, the existing project developments were further advanced, as planned. Following the successful closing of a further project site for the SoHo Mannheim project development in the first quarter of 2023, building construction works also commenced during the remainder of the year.

In fiscal 2023, we concluded purchase agreements for new project developments.

In August 2023, the closing of a forward sale purchase agreement entered into with a fund for a building plot of the SoHo Mannheim project development was finalized. As Gateway Real Estate AG acquired shares in the fund, the pro rata share in the funds' separate assets (Sondervermögen) was consolidated. In line with the intention to hold the assets, the project development is allocated to the Standing Assets segment and recorded as an investment property in accordance with IAS 40.

On April 22, 2022, Norbert Ketterer submitted to Gateway Real Estate AG the formal request pursuant to Section 327a (1) sentence 1 of the German Stock Corporation Act (AktG) that the Annual General Meeting of Gateway Real Estate AG shall resolve to transfer the shares of the remaining shareholders (minority shareholders) to Norbert Ketterer against payment of an appropriate cash settlement (so-called squeeze-out under stock corporation law). There has been no letter specifying more details so far. Moreover, Norbert Ketterer notified us by way of a voting rights notification dated June 6, 2023, that he now holds only 66.24% of the voting rights and therefore does not hold the number of voting rights required for a squeeze-out.

2.4 FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS

2.4.1 FINANCIAL PERFORMANCE

In fiscal year 2023, the financial performance of the Group of Gateway Real Estate AG developed below the expectations as described in the qualified forecast published on April 24, 2023. This was driven by the challenging economic environment for project developments.

In addition to an unexpected fair value adjustment in November 2023 (see ad hoc release dated November 23, 2023) due to an extraordinary external valuation of an investment property and the only partial realization of planned sales in 2023, further fair value adjustments to investment properties as well as write-downs on inventories and outstanding receivables in connection with the preparation of the 2023 consolidated financial statements led to a result that was significantly below expectations. The non-receipt of payments for which the loss allowances on loan receivables were recorded also have a significant impact on the Group's financial position.

The Residential Properties Development division continued ongoing construction projects and also purchased new project sites for future project developments. The Berlin projects remaining in the Commercial Properties Development division were developed further, and the first anchor rental agreements were concluded.

Accordingly, the Gateway Real Estate AG Group increased its revenue, which mainly consists of rental services, to a total of €18.8 million (previous year: €10.3 million).

Gross profit amounted to €171.4 million (previous year: €137.0 million), which, in addition to the revenue mentioned above, comprises changes in inventories of finished goods and work in progress of €142.4 million (previous year: €112.4 million) – largely consisting of capitalized construction costs and construction period interest – and other operating income in a total amount of €10.3 million (previous year: €14.2 million).

Changes in inventories of finished goods and work in progress increased significantly year on year by an amount of €29.9 million to €142.4 million due to the progress of construction activities at the SoHo Mannheim project development and the three Berlin project developments of the Commercial Properties Development business area.

The decrease in other operating income of €3.9 million compared to the prior-year period is mainly due to a decline in capitalized project-related expenses of €4.6 million (previous year: €12.9 million) for the Mannheim project development. The associated land purchase had not yet been completed as of the reporting date and was therefore reported under other non-financial assets. This was offset by income from recourse claims in the amount of €3.5 million, with other operating expenses being incurred in the same amount.

In the reporting period, the costs for raw materials and consumables used increased by €46.6 million over the prior-year period to €126.0 million and mainly consist of the construction costs of the inventory properties (€76.2 million), acquisition costs for land (€13.1 million), management costs for the rented properties (€7.0 million) and loss allowances (€29.7 million). Employee benefits expense amounted to €5.2 million, which is roughly the previous year's level.

The fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale amounted to €–52.5 million (previous year: €–18.1 million) due to measurement effects confirmed by way of an appraisal. The goodwill impairment test conducted as of December 31, 2023 resulted in impairment losses on goodwill and other non-current assets of the Residential Properties Development business area in the amount of €9.7 million, reported under the line item "Depreciation and amortization expense." Other operating expenses amounted to €120.6 million (previous year: €8.6 million). This increase is due to loss allowances on other financial assets of €105.0 million recognized in the fiscal year and the utilization of a guarantee in the amount of €8.5 million. In the fiscal year 2023, GATEWAY achieved an overall operating loss of €–142.9 million (previous year: €18.4 million).

Net finance costs in the fiscal year 2023 amounted to €–38.6 million (previous year: €–52.3 million) and include finance costs of €82.9 million (previous year: €60.6 million). Finance costs are offset by finance income in the amount of €44.3 million (previous year: €8.3 million). This includes interest waived by the lender in the year under review relating to interest expenses from financial liabilities recognized in previous years; this resulted in a net modification result of €31.9 million. This was attributable to the restructuring of the terms and conditions of the loan. Excluding this net modification result, net finance costs would have been €–18.2 above the prior year level. This increase is primarily due to the general rise in the interest rate level.

Earnings before tax (EBT) amounted to €–185.1 million (previous year: €–33.9 million). After consideration of positive income taxes of €10.2 million (previous year: €2.2 million), which are attributable to deferred taxes in the amount of €12.1 million (previous year: €5.2 million), consolidated profit for fiscal year 2023 amounted to €–171.2 million (previous year: €–31.7 million). This corresponds to basic earnings per share of €–0.92 (previous year: €–0.17) and diluted earnings per share of €–0.92 (previous year: €–0.17). The EBIT adjusted amounted to €–142.9 million (previous year: €18.4 million).

2.4.2 FINANCIAL POSITION

The GATEWAY Group's total assets decreased from €1,431.5 million as of December 31, 2022 by 3.3% or €46.7 million to a total of €1,384.8 million as of December 31, 2023.

On the assets side, the decrease was primarily attributable to current assets, which rose by €61.2 million to a total of €1,070.8 million. Non-current assets increased by €14.4 million to €314.0 million, up from €299.6 million over the previous year's level. In terms of current assets, other financial assets in particular decreased by €90.9 million due to impairments on loan receivables in the amount of €104.7 million. This was offset by non-cash interest income (€8.5 million) recognized in the year under review. Inventories increased by a total of €37.9 million to €919.9 million as a result of the ongoing changes in inventories of finished goods and work in progress in the amount of €142.4 million. The increase was offset largely by higher write-downs on the net realizable value of €29.7 million, the deconsolidation of the subsidiary SKE Immo Sulzbach GmbH (€54.7 million) and of Baufeld 23 Entwicklungs GmbH (€8.6 million), and reclassifications to investment properties in the amount of €9.0 million. Cash and cash equivalents were slightly below the previous year's level, down €0.8 million to €8.1 million.

The rise in non-current assets is primarily attributable to the deconsolidation of the subsidiary SKE Immo Sulzbach GmbH, Luxembourg, and the loan receivable totaling €61.3 million (including interest) remaining within the Group. This was offset by impairment losses in the amount of €–9.8 million recognized on goodwill as of December 31, 2023 as a result of the annual impairment test conducted in accordance with

the provisions of IAS 36 as well as negative fair value measurement effects in the amount of €–52.5 million from investment properties in accordance with IAS 40. The addition of one investment property from the SoHo Mannheim project development in the amount of €9.0 million has a positive impact on the carrying amount of investment properties.

In terms of liabilities, the Group's non-current liabilities amounted to €156.5 million as of the reporting date (previous year: €431.4 million); the major portion of that amount is attributable to non-current financial liabilities in the amount of €119.1 million (previous year: €383.8 million). The decrease of €274.9 million compared to the previous year is primarily due to the reclassification from non-current to current liabilities in the reporting year due to the regular change in maturities.

Current liabilities totaled €1,015.5 million as of December 31, 2023 (previous year: €621.1 million). The major portion of that amount was attributable to current financial liabilities (€810.1 million; previous year: €432.0 million); the decrease in current financial liabilities by €378.1 million is primarily attributable to the reclassification described above. Moreover, the new financial liabilities in the amount of €175.2 million exceeded repayments of €67.5 million.

The €6.6 million increase in trade payables is due to outstanding invoices in connection with ongoing construction projects. Provisions for risks resulting from litigation costs amounting to €3.9 million were also recognized, mainly as a result of a utilized guarantee.

The GATEWAY Group's equity as of December 31, 2023 amounted to €212.8 million (previous year: €379,0 million). The reduction is due to the negative consolidated profit. Overall, the Group's equity ratio fell from 26.5% at the end of the prior year to now 15.4%, driven by lower Group earnings.

2.4.3 CASH FLOW

The cash inflows and outflows in fiscal year 2023 overall led to a decrease in cash as of December 31, 2023, primarily caused by cash outflows from operating activities in connection with the increase in inventories and the payments made to settle purchase price liabilities. This was positively impacted by payments received as a result of government grants for the SoHo Mannheim project development. At the same time, cash inflows were reported as part of financing activities as new project financings were taken out. Charges resulting from higher interest rates, however, had a negative effect.

In the 2023 fiscal year, originally planned sales transactions that did not materialize eventually and a lack of cash inflows from loan receivables also led to a strained liquidity situation. Therefore, GATEWAY approached creditors in an effort to defer the maturity dates of select payments and was able to negotiate installment agreements, enabling the Company to meet its payment obligations.

Negotiations are currently being held with financing partners as regards the repayment and extension of the Group's material financing agreements. In this context, we refer to the matters described in section 3.2.2. under the heading “Financing risks.”

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CONDENSED CASH FLOW STATEMENT

in € thousand	12/31/2023	12/31/2022
Cash flows from operating activities	–101,742	–135,403
Cash flows from investing activities	–11,022	40,889
Cash flows from financing activities	112,548	87,008
Net decrease/increase in cash and cash equivalents	**–216**	**–7,506**
Change in cash and cash equivalents due to consolidation group	–614	0
Cash and cash equivalents as of 01/01	8,951	16,457
Cash and cash equivalents as of the end of the period	8,121	8,951

The negative cash flows from operating activities amounted to €101.7 million in the fiscal year 2023. Cash outflows decreased significantly by €33.7 million compared to the same period of the previous year, which is due in particular to the cash inflows from government grants received for the SoHo Mannheim project development in the amount of €30.2 million. The cash inflows from the increase in inventories of €170.1 million (previous year: €124.7 million) are the result of construction activities in relation to project developments. At the same time, there were cash flows from changes in trade payables following the increase in trade payables in a total amount of €10.4 million attributable to construction activities.

The negative cash flows from investing activities of €11.0 million (previous year: inflow of €40.9 million) primarily included payments for investments in investment properties in the amount of €10.9 million. In the prior-year period, there were cash inflows from the standing asset in Leipzig, which was sold for an amount of €41.2 million in the third quarter of 2022 and was reported under non-current assets held for sale.

The positive cash flows from financing activities in the amount of €112.5 million (previous year: €87.0 million) are primarily attributable to proceeds from borrowings in the amount of €175.2 million and the repayment of borrowings in the amount of €67.5 million.

The loan funds were primarily used to finance progressing construction activities and the purchase price of a plot of land for the SoHo Mannheim project development. This was offset by the repayment of loans in the amount of €67.5 million. In the prior-year period, cash inflows from refinancing the purchase of an urban quarter development in Hamburg by means of a promissory note loan were included in the cash flows from financing activities.

The loans are subject to both fixed and variable interest. The fixed-rate loans have an interest rate between 1.50% and 20.0% (previous year: between 2.35% and 20.0%). There were no financial liabilities denominated in foreign currencies as of the reporting date, and neither were there any interest rate swaps or other stand-alone derivative financial instruments as of the reporting date.

Overall, the net decrease resulting from the cash flows in the fiscal year 2023 described above amounted to €0.2 million. In addition, the sale of a subsidiary resulted in a change in cash and cash equivalents due to consolidation group in the amount of €–0.6 million. These two factors led to a decline of cash and cash equivalents to €8.1 million as of December 31, 2023. As of the previous reporting date (December 31, 2022), cash and cash equivalents had amounted to €9.0 million. Apart from free liquidity, there are unutilized credit facilities from project financings in the amount of €173.1 million as of the reporting date (December 31, 2022: €270.6 million).

Compared to the previous year, additional commitments and contingencies were entered into in the form of sureties and guarantees in the year under review. Guarantees in a total amount of €8.5 million were called in the year under review, of which an amount of €3.5 million was secured by recourse claims of a related party. However, utilization of the remaining guarantees and sureties is considered generally unlikely on the basis of the economic condition of the beneficiaries. See Note 7.2.

3. REPORT ON RISKS AND OPPORTUNITIES

3.1 RISK MANAGEMENT SYSTEM

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

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

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

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

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 can also have an impact on GATEWAY's business performance.

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

3.2.1 PROPERTY-SPECIFIC RISKS

Identification of risks upon acquisition

As a developer of residential properties operating across Germany in the Top 8 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 continued challenging market conditions for real estate project development, 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.

Default risks
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 possible, and the potential amount of damage, after countermeasures are taken into account, is considered low.

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. Upon purchase, 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.

The persistently difficult market conditions for the project development sector – primarily due to a general rise in interest rate levels, higher construction costs and the associated decline in transaction volumes – have generally led to a cautious lending policy on the part of financing partners and thus to higher financing costs for borrowers. 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.

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 virtually certain.

Financing risks can also arise from the need to enter into refinancing arrangements if a company is no longer in a position to raise the funds required to meet its financial obligations.

Going concern risk:

As of the reporting date, the Group has financial liabilities due in the short term in the amount of €810.1 million, mainly relating to the financing arrangements for the projects Borussia Köln, SoHo Mannheim, Dresden Blüherpark, Berlin Heinersdorf, and Augsburg, and a promissory note loan of Gateway Real Estate AG taken out for general financing purposes. Of these liabilities, an amount of €656.8 million was not fully covered by agreed refinancing or planned sales proceeds as of the reporting date. An amount of €119.6 million of the loans was extended as part of the Management Board's negotiations with the individual lenders. As regards extensions of financing arrangements with a volume of €502.1 million that have not yet been agreed, the lenders have sufficient collateral in the form of land charges, which means that the financing arrangements are expected to be extended, in the view of the Company's legal representative, and the realization of the collateral provided will be accepted in exceptional cases. Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation, a material portion of the financing arrangements not extended up to the date of preparation is not extended and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk.

According to the Management Board, the situation of the individual projects and the subsidiaries involved in the respective projects is as follows:

Borussia Köln project development:
After the reporting date, both junior and senior financing agreements for the Cologne project development with a carrying amount of €253,335 thousand were extended initially until June 28, 2024 by way of an agreement dated May 17, 2024 and May 28, 2024. The Company is currently in negotiations and talks regarding a longer-term solution, which should be achieved already in 2024 if possible. Collateral was provided for the senior financing in the form of pledges of shares and real estate assets secured by land charges with a carrying amount of €406,234 thousand and a letter of comfort of Gateway Real Estate AG towards the lender as regards payment of a maximum amount of €8,000 thousand.

The agreement reached with the senior lender on August 21, 2023, provided for a deferral of the interest due and payable as at June 28, 2023 until September 15, 2023. Interest was paid on September 14, 2023. Furthermore, the agreement provided for a deferral of the obligation to contribute equity capital of €5.0 million until November 30, 2023 and of a further €10.0 million until February 29, 2024. On May 17, 2024 and on May 28, 2024, both financing arrangements were extended initially until June 28, 2024. At the same time, several requirements were agreed which, if they are complied with, allow for an extension for a longer period of one year. In this context, GATEWAY has met its obligations to date and is currently in negotiations for a short to medium-term extension or solution. The milestones required to be reached for an extension beyond June 28, 2024 are being negotiated at the moment. If an extension is not achieved, there is the possibility that the collateral provided for this project is realized, and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

SoHo Mannheim project development:
The bond for the acquisition financing in relation to the SoHo Mannheim project has a carrying amount of €50,256 thousand and was extended on the basis of a repayment agreement. Moreover, a waiver of accrued interest in the amount of €28,288 thousand was part of the agreement. In addition, no additional interest accrues on the financing in the period from the reporting date until the end of the term. The agreement, which was documented in writing on April 29, 2024, also provided for a precise payment plan. The non-compliance with these payment terms would constitute an event of default and would reinstate the previous agreement and also reverse the waiver of interest.

The change in the contractual terms led to a significant modification in the contractual cash flows and thus to the derecognition of the original liability and the recognition of the new, amended liability. In fiscal year 2023, the transaction resulted in a net modification result in a total amount of €31,913 thousand, which is reported as finance income under net finance costs.

Collateral in the form of a guarantee in the amount of €15,000 thousand had already been provided by the Group's ultimate parent company in the past for the extended bond with a carrying amount of now €50,256 thousand. Moreover, the bond is collateralized for the benefit of the lenders by way of land charges on the properties underlying the financing with a total carrying amount of €61,802 thousand as of December 31, 2023. We also refer to the section on events after the reporting date.

Based on an agreement dated September 13, 2024, a new payment plan was agreed, pursuant to which €1,000 thousand was paid in September 2024 and it was agreed to make the remaining repayments in three tranches. A further €2,000 thousand in each case is linked to previously defined sales. The remaining value was extended until July 2025.

Dresden Blüherpark project development:
The acquisition financing for the project development and also for the existing commercial property in Dresden Blüherpark has a nominal loan amount of €87,000 thousand, plus interest of €6,688 thousand payable upon final maturity and a term until October 31, 2024. Real estate assets secured by land charges with a carrying amount of €184,925 thousand and pledges of shares are used as collateral. In light of ongoing discussions with various investors, the Management Board assumes that the loan amounts will be repaid in an orderly manner.

By way of a declaration dated April 28, 2021, the Group's ultimate parent company issued an irrevocable and unconditional guarantee to the creditor of the acquisition financing for unpaid interest and a cost overrun in the amount of €3,500 thousand, which is deemed unlikely. If an extension beyond October 31, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Standing asset in Augsburg:
The investment property in Augsburg is financed by the Group's ultimate parent company until May 31, 2024 through a loan with a nominal amount of currently €41,896 thousand. Real estate assets secured by land charges with a carrying amount of €99,100 thousand are used as collateral. On May 16, 2024, a special repayment of €2,276 thousand was made, reducing the loan amount to a total of €39,620 thousand. Negotiations are currently held with a new financing partner to take over the existing financing and to lend funds for further project development costs. In the agreement dated June 17, 2024, the current lender agreed to extend the existing financing subject to further payments in the course of the 2024 fiscal year. To that extent, a closing fee of €594 thousand was paid on August 26, 2024 and interest in the amount of €427 thousand was paid on August 29, 2024, which resulted in the repayment date being postponed for the time being to December 31, 2024.

Based on the discussions, it is currently assumed that the existing financing will be extended until the potential new financing partner redeems the loan. If the Group's development is as planned in the 2024 forecast period, it is more likely than not that the special repayments can be made. If an extension beyond December 31, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Berlin Heinersdorf project development:
The senior financing of the Berlin Heinersdorf project development has a nominal loan value of €30,000 thousand and a term until September 30, 2024. Real estate assets secured by land charges with a carrying amount of €36,600 thousand are used as collateral.

In light of ongoing discussions with various investors, the Management Board assumes that the loan will be either extended or restructured. If an extension or a standstill agreement beyond September 30, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements due to the resulting realization of the collateral provided would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Summary:
Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's planned financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation, a material portion of the financing arrangements not extended up to the date of preparation is not extended and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk.

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.

In this context, we also refer to the risks mentioned in the section on financing risks, which may arise from the extension of financing arrangements that are still required and from the late repayment of financing due to non-receipt or late receipt of payments.

Moreover, the Group is exposed to a tight liquidity situation due to the overall economic conditions. Monitoring liquidity development and liquidity management is therefore a major focus of the overall corporate management. Accordingly, the Management Board has drawn up a detailed finance plan until the end of 2025 and listed all significant incoming and outgoing payments for the Group. Liquidity bottlenecks might occur if there are deviations due to the failure to realize planned project sales or if the sales are not made on time or in the amount planned. If any additional negative deviations from the plan arise in the forecast period or the extensions of the financing arrangements explained in the "Financing risks" section are not implemented to a significant extent, there will be a risk to the Group as a going concern, and the continuation of the Group's business operations will be dependent on further external liquidity support.

Despite a continuous monitoring and controlling of the liquidity situation, the Management Board currently considers the occurrence of liquidity risks to be possible to likely, even taking into account mitigating measures (early communication with banks, creditors and companies, and the sale of existing assets) and classifies the financial impact as very 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.

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.

One member of the Management Board (CFO) left the Company at the end of the fiscal year, with the position remaining vacant as of yet. This means that if the position is not filled in the medium term, there is a possible risk that the corresponding tasks will not be completed at all or completed on time. However, assuming a possible probability of occurrence, the Management Board expects a low financial impact.

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 a party to several legal disputes pending before the courts. The underlying disputes arise from GATEWAY's business activities and relate to disputes in connection with the execution of a land purchase agreement, and with guarantee and financing matters. The outcome of the legal disputes cannot be predicted reasonably and is deemed to have a medium impact on the Group's financial position and performance.

In order to counteract the risk of currently pending and any future legal disputes, specialized law firms have been and will be engaged for the respective cases. The probability of occurrence of risks from other litigation is currently assessed as virtually certain; the potential financial impact is assessed as medium 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 currently sees influences in the areas of financing and liquidity that may be a threat to the Company's continued existence or its business activities and considers the risk situation to be significant. Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation, a material portion of the financing arrangements not extended up to the date of preparation is not extended and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk. The continuation of the Group's business operations will be dependent on further external liquidity support.

The fundamental assessment of the developments in GATEWAY's focus cities regarding population trend and excess demand has not changed, however, the extent and the effects of the challenging market situation on business development cannot be conclusively assessed.

The persistently high inflation and the path of interest rate hikes initiated by the central banks have also led to market turmoil, particularly among project developers, which has also resulted in the insolvency of project developers.

Furthermore, measures introduced by central banks in an effort to fight inflation are increasing the pressure on purchase transactions financed via loans. The increase in policy rates leads to higher finance costs and makes it more difficult to take out new loans or extend existing loan agreements. These measures have a particularly strong impact in the real estate sector as properties are normally purchased with a high proportion of borrowings.

In the current market environment, Gateway Real Estate AG is also observing a continued sharp decline in the transaction market, which on the one hand is attributable to tight lending and on the other hand is due to the fact that investors expect higher yields. The rise in key policy rates resulted in higher risk-free interest rates, which in turn raised the yield expectations of potential property buyers.

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 8 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 8 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 2023 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.

The effects of 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 2023

In the 2022 Group management report and by way of an ad hoc release dated April 24, 2023, GATEWAY issued a qualified forecast for the fiscal year 2023. Accordingly, the Management Board expected EBIT adjusted of €5–15 million and consolidated earnings before taxes (EBT) of between €–10 million and €0 million for the fiscal year 2023 as a whole due to the challenging market conditions and a considerably lower sales velocity, in particular as a result of the changed interest rate environment. As a result of the projected sales, the Management Board expected GDV to decline slightly. Both estimates were reduced by approximately €42 million each, as announced in an ad hoc release on November 23, 2023. The reason for this was a revaluation of a development project recognized as an investment property due to a valuation report commissioned in connection with an upcoming refinancing.

With an EBIT adjusted of €–142.9 million and consolidated earnings before taxes (EBT) of €–181.5 million, GATEWAY did not meet its specified guidance. This was primarily due to loss allowances recognized on financial receivables totaling €105.0 million, which the Management Board decided to recognize to account for risks identified after it had become aware of new information on the financial situation of the debtors concerned. In addition, a partial write-down on real estate projects held as inventories in the amount of €29.7 million was recognized.

The Company also did not achieve GDV growth in the low single-digit billion range due to the discontinued purchase of a project development in Leipzig and the lack of acquisitions in 2023. GDV amounts to €5 billion as of December 31, 2023.

4.2 ECONOMIC ENVIRONMENT 2024

4.2.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

In its most recent World Economic Outlook, the International Monetary Fund (IMF) expects the global economy to grow by 3.2% in 2024 and by 3.3% in 2025. Although the global economic outlook has brightened somewhat, it remains low by historical standards. While inflation is approaching target levels again at the beginning of 2024, the rise in services prices is hampering progress in the fight against inflation; accordingly, a normalization of monetary policy is becoming more difficult. The upside risks to inflation have therefore increased again in the first half of 2024, which opens up the prospect of interest rates remaining elevated for longer against the backdrop of escalating trade tensions and increasing political uncertainty. A more restrictive fiscal policy aimed at reducing debt is likely to be accompanied by higher taxes and lower government spending should also weigh on growth.

This is aggravated by short-term adverse factors such as the fact that borrowing costs remain elevated, but also by longer-term effects from Russia's invasion of Ukraine, weak productivity growth and increasing geo-economic fragmentation. According to IMF estimates, global headline inflation is expected to fall to an average of 5.9% in 2024 and 4.5% in 2025.

In its spring forecast for 2024, the European Commission anticipates GDP to grow by 1.0% in the EU and by 0.8% in the eurozone. For 2025, growth is expected to amount to 1.6% for the EU and 1.5% for the eurozone. The Harmonized Index of Consumer Prices, which is used to measure the inflation rate, is expected to reach 2.7% in the EU in 2024 and 2.2% in 2025 and is also likely to fall from 2.5% in 2024 to 2.1% in 2025 in the eurozone. This would cause inflation to get closer to the European Central Bank's medium-term target of 2% and would pave the way for further monetary easing. The ECB took the first step in this direction by cutting interest rates for the first time, after gradually raising interest rates from 0% since July 2022. On June 12, 2024, the interest rate for the main refinancing operations was reduced by 0.25 percentage points to 4.25%.

According to the European Commission, the labor market will cool down somewhat but will remain robust overall. Employment growth in the EU is likely to fall from 1.0% in 2023 to 0.4% in both 2024 and 2025. The unemployment rate in the EU is forecast to remain at the previous year's level of 6.0% in 2024 and to fall slightly to 5.9% in 2025.

The economic outlook continues to be affected by geopolitical tensions. The escalation of military conflicts in Ukraine and the Middle East threatens the reliability of the supply of raw materials, meaning that supply shocks and a resurgence in inflation are possible. Frozen conflicts such as in the South China Sea or the Taiwan Strait are also a source of imminent uncertainty, and the escalation of such conflicts would cause considerable disruption to the global economy. Further risks could arise from economic developments in the EU's most important trading partners.

Another risk to the economic outlook is the more frequent occurrence of extreme weather events. Storms, fires, droughts, heatwaves and floods have dramatic consequences for both people and the environment. In addition, the economic impact in the affected regions is considerable, but may also have an effect on other regions.

On November 15, 2023, the German Federal Constitutional Court (file number: 2 BvF 1 / 22) declared the Second Supplementary Budget Act of 2021 null and void. This meant that a total of €60 billion was missing from the federal budget for several years, an amount which was originally approved for the fight against the coronavirus pandemic but which was not called up eventually. Reallocating this special fund for other purposes, specifically transferring it to the "Climate and Transformation Fund", is not permitted under the ruling. For the 2024 federal budget, this corresponds to a deficit of around €30 billion in total.

In order to close the fiscal gap, a number of savings are necessary, some of which have a direct impact on the economy. For example, the tax breaks for agricultural diesel fuel will be gradually abolished. Kerosene for domestic flights in Germany as well as plastic will be taxed, and taxes on electricity and fuel will be increased. The individual ministries also have to make savings. The statutory pension insurance scheme will have to make do with lower federal subsidies and the Federal Employment Agency will have to repay subsidies to the federal government to mitigate the coronavirus crisis.

The Climate and Transformation Fund will no longer be used to subsidize products that are already established on the market. For this reason, for example, the environmental bonus for electric cars will be discontinued, and the federal government will stop granting the subsidy to reduce grid fees for the electricity grid. At the beginning of 2024, the CO_2 price for refueling and heating was set at €45 per tonne of CO_2; the original plan was to raise the price to only €40 per tonne of CO_2. The air traffic duty for domestic German flights is planned to be increased, and the federal states will also receive less federal funding for rail transport.

These and other measures will partly mean a reduction in public consumption and partly have a dampening effect on private demand. Economic development will be adversely affected in both cases. The austerity measures are also increasing uncertainty among companies and private households with regard to possible subsidies for investments. Accordingly, the German Institute for Economic Research (DIW Berlin) has revised downwards its economic forecast for 2024 and 2025 by 0.3 and 0.2 percentage points to 0.6% and 1.0%, respectively. The labor market may provide some stimulus, as higher wage settlements and falling inflation will cause real wages to rise sharply, according to estimates of KfW Research. This will bolster private consumption, and external demand is also likely to pick up.

According to the German Federal Statistical Office, the inflation rate in Germany was 1.9% in August 2024. Although the CO_2 price was increased and the price brakes on energy products expired in January, energy prices in August 2024 were 5.1% lower than in the same month last year. Excluding food and energy prices, core inflation is expected to have amounted to 2.8%. The ifo Institute expects inflation of 2.2% for 2024 as a whole and 1.7% for 2025, with a core inflation rate of 2.7% in 2024 and 2.2% in 2025.

The ifo Institute forecasts that German GDP is set to grow by 0.4% in 2024 and by 1.5% the year after on a price-adjusted basis. This forecast is based on declining demand in almost all economic sectors and shrinking order backlogs. Residential construction in particular is experiencing a veritable wave of cancellations. The Federal Constitutional Court's ruling on the federal budget results in a more restrictive financial policy, which is placing more of a burden on companies and households, and less of a relief. Government spending and investment are also expected to fall. At 5.9%, the unemployment rate in 2024 should be 0.2 percentage points higher than in 2023, and is then expected to decline again to 5.6% in 2025.

4.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

In its current 15th coordinated population projection for Germany, the Federal Statistical Office (Destatis) 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 Destatis, 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 Destatis, 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 Destatis, 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.

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

4.2.3 DEVELOPMENT OF REAL ESTATE MARKETS

The European construction industry is struggling with the effects of the interest rate hikes and the war in Ukraine. The European network Euroconstruct reports a 1.4% decline in construction output for 2023; the shortfall is estimated to grow to 2.7% in 2024. Positive growth of 1.3% and 1.8%, respectively, is not expected until 2025 and 2026. However, due to the urgent need for action in relation to transport networks and energy generation and distribution, civil engineering should continue to expand until 2026. By contrast, non-residential construction could remain sluggish at least until 2024, but could return to growth in the following years. Residential construction is also likely to decline in 2024 and should only grow moderately in 2025 and 2026.

According to a survey by Euroconstruct, the real estate markets in most European countries are more or less being held back by the sharp rise in interest rates and construction prices, persistently high inflation, the loss of purchasing power among private households, weaker economic growth, the tense situation of public budgets and falling real estate prices. The yield comparison for real estate investments is also inhibiting growth at the current interest rate level. The situation is exacerbated by the growing uncertainty about the future of hybrid forms of work and their impact on commercial real estate.

Across all of Europe, Euroconstruct 2023 registered a tightening of bank lending standards that affected all types of loans. As a result, demand for financing from companies and households fell significantly, which influenced above all the residential construction sector. Looking at the years 2023 and 2024, residential construction is expected to cool down the most in Sweden, Italy, Finland and Hungary. However, countries with larger housing markets – such as the United Kingdom, Germany and France – are also expected to see a significant drop in construction output. Euroconstruct estimates that by 2025 the number of completions in Europe is likely to fall to its lowest level since 2016.

The decline in the residential construction sector will also have a negative impact on renovation projects. New construction of non-residential buildings is also expected to decline in 2024, while renovation work in non-residential construction is forecast to increase in 2024 as well. Renovations are expected to exceed new construction from 2024.

The outlook for the German real estate investment market is cautiously optimistic. CBRE expects market momentum to pick up again noticeably from the second half of 2024. So far, however, the market continues to be held back by the sometimes significantly divergent price expectations of potential buyers and sellers. The trend towards smaller-scale investments is likely to continue in 2024, and large portfolio transactions, particularly for office properties, should be rare. CBRE expects a transaction volume of around €35 billion for 2024 as a whole, of which around €8 billion will be attributable to residential properties (of 50 units or more).

Following the quite rapid rise in real estate yields in 2023, CBRE expects the trend to slow significantly in 2024. While yields could still rise moderately in the first half of 2024, they are expected to stabilize in the second half of the year.

According to CBRE, the price expectations of market participants for core and core-plus properties are currently still the furthest apart. Investment activities in the value-add and opportunistic segments are therefore likely to increase in 2024, where the realignment of prices is already further advanced and potentials for value appreciation can be leveraged. CBRE also expects the market to pick up in this segment because portfolio holders will have to dispose of distressed properties.

According to CBRE's findings, commercial real estate financing with a volume of around €288 billion will need to be extended or refinanced in Germany between 2024 and 2027. However, real estate loans worth around €77 billion cannot be refinanced, based on current capital values and loan interest rates as well as restrictions on loan-to-value ratios and interest coverage ratios.

CBRE expects institutional portfolio holders to provide further impetus for the revival of the transaction market. In an effort to meet the self-imposed ESG criteria in their investments, properties not meeting the targets might also be eliminated from real estate portfolios.

Office market

In the German office real estate market, companies are holding back on new leases against the backdrop of a weak economic environment and increasing cost pressure, according to CBRE. In addition, many companies are unsure how much staff and office space they will need in the future and how intensively office space will actually be used in times of home office and remote working. As a result, the proportion of office tenants who currently prefer to extend their existing space rather than relocate remains high, according to CBRE's findings.

Due to the strong increase in available space at the end of the real estate cycle and the decline in demand over the past 12 to 18 months, CBRE expects the vacancy rate to remain high. This is increasingly opening up new rental options, and temporary and flexible lettings for occupiers. However, as less new office space is currently being planned and realized, CBRE expects a renewed supply shortage from 2025/2026 onwards.

According to CBRE, the trend towards higher-quality properties in central locations will continue in terms of demand for space. Therefore, a stronger polarization of rental price development is expected. High-quality properties are therefore likely to see significant rent growth, while rents will stagnate in properties that tend to be older, less energy-efficient and more difficult to reach by public transport.

Residential real estate market
According to CBRE, the transaction volume in the German residential market, which fell by almost 60% in 2023, showed that the price expectations of buyers and sellers varied significantly in some cases. It can be assumed that this recalibration of the market will continue in 2024. However, CBRE expects hardly any further downward price adjustments for properties included in the core and core-plus categories. The situation is different for properties in less good locations with a maintenance backlog, where prices are expected to continue to fall, in some cases significantly.

It became apparent already by the end of 2023 that investors were increasingly looking to sell properties with significant investment requirements. CBRE notes that long-term portfolio holders in particular are reluctant to spend on the necessary ESG-compliant refurbishment of properties. While it is currently mainly local investors with strong equity capital, such as family offices, who are looking for favorable opportunities, the group of potential buyers could expand again in the future to include investors with higher debt capital as soon as better financing conditions are available.

CBRE does not anticipate a significant increase in new construction in the residential sector in the medium term. In addition to increased construction costs, a lack of administrative staff and numerous bureaucratic requirements represent major obstacles to new residential construction. Potential investors and developers also complain that German federal and state tax laws do not encourage new construction, and in some cases even slow it down.

According to a study by CBRE, the costs for building a new apartment in Germany amount to €5,150 per square meter, of which around €1,500 is attributable to taxes and duties. However, local authorities are also making the construction of new housing unprofitable, due to inflexible building land models with high infrastructure requirements and high quotas for social housing.

In order to achieve the target of 400,000 newly built apartments per year, as provided for in the German government's coalition agreement, an investment-friendly environment is required. In addition to reducing red tape, government incentives could stimulate new construction. The introduction of a declining balance depreciation option for investments was one of the proposed solutions. Pursuant to the German Growth Opportunities Act adopted in March, a declining balance depreciation will be introduced for newly constructed residential buildings with retroactive effect from October 1, 2023. The declining balance depreciation amounts to five percent from the start of construction within a period of six years and supplements the increase in straight-line depreciation from two to three percent.

CBRE forecasts that the volume of completions will only fall slightly in 2024. However, a dramatic slump in new construction is expected in the following years. According to Destatis, building permits issued in 2023 amounted to 260,100 apartments, a decrease of 94,100 or 26.6% year over year. In the first half of 2024, approvals for the construction of 106,700 apartments were granted, 28,500 units or 21.1% below the same period of the previous year. In the case of multi-family buildings, the number of approvals was 57,300, representing a decrease of 15,100 units or 20.8%. This decline will be reflected in the completion figures not until two to three years later. According to CBRE, it is likely that a mere 130,000 to 150,000 apartments will then be completed per year.

Against the backdrop of already tight housing markets, this means that housing will become more expensive. Compared to 2023, median asking rents for new-build apartments in the top 20 cities have already risen by 6.3% to now €14.80, according to CBRE. On the one hand, the supply of apartments is falling, while on the other hand, the already high demand will continue to increase. This is in part due to net immigration, but also attributable to the fact that it is becoming more difficult for potential owner-occupiers to acquire residential property. This is because the increased financing costs will not be fully or partially offset by reductions in purchase prices as supply becomes scarcer. As a result, the number of households forced to rent rather than buy a home will increase.

4.3 OUTLOOK FOR THE GATEWAY GROUP

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

For the current year 2024, the Company expects an EBIT adjusted of €20–30 million and earnings before taxes (EBT) of €2.5–7.5 million based on the results already achieved and the positive progress of recent negotiations. The main drivers for business development are sales already performed and still planned in the Residential Properties Development segment.

As a result of the planned sales, the Management Board expects GDV to decline slightly also in 2024.

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 respective management report are submitted to the Supervisory Board. The Supervisory Board is also continuously involved in the further development of the accounting-related ICS and the risk management system.

6. RISK REPORTING RELATING TO THE USE OF FINANCIAL INSTRUMENTS

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

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

To limit the receivables default risk, ownership of sold properties is generally transferred to the buyer only after payment of the purchase price. Interest rate risks, liquidity risks and financing risks are considered to be high in light of the current challenging market situation. Appropriate measures were taken by the Management Board.

CAPITAL MANAGEMENT

The Group regularly reviews its capital structure in connection with ensuring its debt servicing capability, operating liquidity as well as the compliance of regulatory requirements within the context of the preparation of annual and interim financial statements. Adjustments to the capital structure may be implemented through capital increases or changes to the financing. In this context, the Company seeks to achieve a capital structure that reflects business risk. In doing so, the Group seeks to ensure the adequacy of the adjustments against the background of the specific business risk. Likewise, short- and medium-term capital requirements are managed through liquidity planning, at least monthly and on a rolling basis.

INTEREST RATE RISK

Risks arising from interest rate changes fundamentally exist for the Group in connection with taking out loans to finance the purchase of properties as well as in relation to project financings. Interest hedges to reduce the risk of interest rate changes have not yet been concluded to date.

DEFAULT RISK MANAGEMENT

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

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

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

OTHER FINANCIAL ASSETS

Other financial assets primarily consist of the disposals of shares in the previous year and the associated receivables under vendor notes. In this context, material payments were already received in the fiscal year under review.

The persistently high inflation and the path of interest rate hikes initiated by the central banks have also led to market turmoil, particularly among project developers, which has also resulted in the insolvency of project developers. The Management Board has objective indicators of impairment of individual and material other financial assets. In order to take account of possible default risks of receivables in an appropriate way, the Management Board therefore recognized specific loss allowances for other financial receivables to cover such risks.

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

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

CASH AND CASH EQUIVALENTS

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

LIQUIDITY RISK

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

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

FINANCING RISK

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

Particularly within the scope of real estate financing, it is also necessary to renew or refinance expiring loans, some of which are granted only on a short-term basis and must be regularly renewed. In all cases, there is a risk that a renewal is not possible or not at the same or at different terms. The probabilities of refinancing risks and market risks to occur are deemed possible to likely. Please also refer to the statements in the report on risks and opportunities in the Group management report in section 3.2.2. under the heading “Financing risks.”

7. DISCLOSURES AND EXPLANATIIONS 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, 2023. 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, 2023, 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 notifications, Norbert Ketterer, Switzerland, holds 66.24%, Sandra Ketterer, Switzerland, 15.00% and Yannick Patrick Heller, Switzerland, 13.61% 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 29, 2028, 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 2023/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 dis-

posed 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 2023/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 Contingent 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, and until its expiry on December 31, 2023, 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.

GATEWAY has business relationships with various municipalities in Germany via land purchase agreements and urban development contracts. As part of these agreements, the respective municipalities have regularly agreed to penalties and rights of withdrawal in the event that a change of control occurs at GATEWAY without the affected municipality approving such change.

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.

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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF GATEWAY REAL ESTATE AG

AS OF DECEMBER 31, 2023

ASSETS

in € thousand	Note	12/31/2023	12/31/2022
Non-current assets			
Intangible assets and goodwill	6.1	0	9.789
Property, plant and equipment	6.2	0	4
Investment properties	6.3	238,527	271,170
Investments accounted for using the equity method	6.4	0	0
Non-current trade receivables		0	142
Other non-current financial assets	6.6	64,057	5,946
Other non-current non-financial assets		1,431	2,234
Deferred tax assets	6.13	9,940	10,270
		313,955	**299,555**
Current assets			
Inventories	6.5	919,906	881,989
Trade receivables	6.6	989	1,916
Income tax receivables		229	2,140
Other financial assets	6.6	74,119	165,042
Other non-financial assets	6.6	67,478	71,957
Cash and cash equivalents	6.7	8,121	8,951
Non-current assets held for sale	6.8	0	0
		1,070,842	**1,131,995**
		1,384,797	**1,431,550**

EQUITY AND LIABILITIES

in € thousand	Note	12/31/2023	12/31/2022
Equity			
Subscribed capital	6.9	186,764	186,764
Reserves	6.9	–389,131	–389,131
Retained earnings	6.9	407,308	573,257
Non-controlling interests	6.9	7,901	8,159
		212,842	**379,049**
Non-current liabilities			
Non-current financial liabilities	6.11	119,135	383,841
Deferred tax liabilities	6.13	36,937	46,370
Other non-current financial liabilities		433	1,144
		156,505	**431,355**
Current liabilities			
Other current provisions	6.10	3,881	0
Current financial liabilities	6.11	810,147	432,020
Income tax liabilities		6,557	5,824
Trade payables	6.12	161,113	154,466
Other financial liabilities	6.12	32,038	27,237
Other non-financial liabilities	6.12	1,714	1,599
		1,015,450	**621,147**
		1,384,797	**1,431,550**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2023

in € thousand	Note	2023 Total	2022 Total
Revenue	6.14	18,765	10,331
Changes in inventories of finished goods and work in progress	6.15	142,363	112,420
Other operating income	6.18	10,295	14,204
Gross profit		**171,423**	**136,955**
Raw materials and consumables used	6.16	–125,990	–79,425
Employee benefits expense	6.17	–5,217	–5,168
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale	6.3/6.8	–52,533	–18,096
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	6.1/6.2	–9,912	–7,252
Other operating expenses	6.18	–120,647	–8,634
Operating profit		**–142,876**	**18,380**
Finance income	6.19	44,321	8,340
Finance costs	6.19	–82,888	–60,599
Other finance income/costs, net		–13	–12
Net finance costs		**–38,580**	**–52,271**
Profit/loss before tax		**–181,456**	**–33,891**
Income tax expense	6.20	10,247	2,224
Profit/loss for the period		**–171,209**	**–31,667**
Other comprehensive income/loss		0	0
Total comprehensive income/loss for the period		**–171,209**	**–31,667**
Attributable to equity holders of the parent company	7.1	–165,939	–32,622
Attributable to non-controlling interests		–5,270	955
Earnings per share (basic)	7.1	–0.92	–0.17
Earnings per share (diluted)		–0.92	–0.17

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2023

		Equity attributable to equity holders of the parent company					
in € thousand	Note	Subscribed capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of 01/01/2022		**186,764**	**–389,131**	**605,879**	**403,512**	**7,273**	**410,785**
Profit/loss	7.1	0	0	–32,622	–32,622	955	–31,667
Change in the scope of consolidation/disposal of shares	6.9	0	0	0	0	–69	–69
Balance as of 01/01/2023		**186,764**	**–389,131**	**573,257**	**370,890**	**8,160**	**379,049**
Profit/loss	7.1	0	0	–165,939	–165,939	–5,270	–171,209
Change in the scope of consolidation/disposal of shares	6.9	0	0	–10	–10	5,011	5,002
Balance as of 12/31/2023		**186,764**	**–389,131**	**407,308**	**204,941**	**7,901**	**212,842**

CONSOLIDATED SEGMENT REPORT OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2023

					2023
in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
Revenue from third parties (external revenue)	10,229	7,685	851	0	18,765
Intersegment revenue (internal revenue)	2,988	0	9	–2,997	0
Revenue	**13,217**	**7,685**	**860**	**–2,997**	**18,765**
Gross profit	**36,178**	**78,506**	**67,433**	**–10,694**	**171,423**
Segment result (operating profit)	**–168,646**	**12,351**	**18,902**	**–5,483**	**–142,876**
thereof:					
Fair value changes of investment properties and valuation of properties held as inventory	–52,533	0	0	0	–52,533
Depreciation and amortization expense	0	0	0	0	0
Impairment losses	–9,911	–1	0	0	–9,912
EBIT adjusted	**–168,646**	**12,351**	**18,902**	**–5,483**	**–142,876**
Finance income	20,962	0	32,800	–9,441	44,321
Finance costs	–15,512	–17,056	–59,883	9,550	–82,901
EBT	**–163,196**	**–4,705**	**–8,181**	**–5,374**	**–181,456**
Income tax expense	8,575	–501	551	1,622	10,247
Segment assets	**592,415**	**309,741**	**720,910**	**–238,269**	**1,384,797**
Additions to non-current assets	56	0	0	0	56
Segment liabilities	**413,714**	**313,615**	**672,113**	**–227,487**	**1,171,955**

Please also refer to Note 5

					2022
in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
Revenue from third parties (external revenue)	9,537	0	794	0	10,331
Intersegment revenue (internal revenue)	632	0	0	–632	0
Revenue	**10,169**	**0**	**794**	**–632**	**10,331**
Gross profit	**11,334**	**61,328**	**72,717**	**–8,424**	**136,955**
Segment result (operating profit)	**–31,226**	**10,237**	**47,199**	**–7,830**	**18,380**
thereof:					
Fair value changes of investment properties and valuation of properties held as inventory	–18,096	0	0	0	–18,096
Depreciation and amortization expense	–265	0	0	0	–265
Impairment losses	–6,987	0	0	0	–6,987
EBIT adjusted	**–31,226**	**10,237**	**47,199**	**–7,829**	**18,381**
Finance income	18,419	0	708	–10,787	8,340
Finance costs	–13,642	–10,000	–47,744	10,787	–60,599
EBT	**–26,449**	**237**	**163**	**–7,829**	**–33,878**
Income tax expense	4,904	91	–4,997	2,226	2,224
Segment assets	**684,933**	**243,783**	**754,098**	**–261,053**	**1,421,761**
Additions to non-current assets	80	0	0	0	80
Segment liabilities	**362,614**	**242,450**	**694,422**	**–246,985**	**1,052,501**

CONSOLIDATED STATEMENT OF CASH FLOWS OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2023

in € thousand	Note	12/31/2023	12/31/2022
Cash flows from operating activities			
Total comprehensive income/loss for the period		–171,209	–31,667
Adjustments for:			
Amortization of intangible assets	6.1	0	65
Depreciation of property, plant and equipment	6.2	0	274
Changes in fair value of investment properties and valuation of properties held as inventory	6.3	52,533	15,496
Changes in fair value of non-current assets held for sale (properties)	6.8	0	2,600
Impairment on trade receivables	3.6	0	284
Proceeds from government grants		30,241	0
Other non-cash expenses/income		–6,566	–9,207
Impairment losses		139,872	6,913
Tax expenses		–10,247	–2,224
Profit or loss from the sale of property, plant and equipment		0	26
Profit or loss from the sale of fully-consolidated subsidiaries		1,280	0
Net finance costs		38,580	52,258
Changes in:			
Inventories		–170,091	–124,710
Trade receivables and other receivables		1,068	–1,675
Other financial assets		1,978	–11,079
Other non-financial assets		11,192	5,415
Trade payables and other payables		10,428	–12,132
Other non-financial liabilities		121	467
Other provisions as well as assets and provisions for employee benefits		3,881	0
Other financial liabilities		–1,373	–1,068
Interest paid		–34,204	–24,057
Income taxes received		2,038	2,280
Income taxes paid		–1,264	–3,662
Cash flows from operating activities		**–101,742**	**–135,403**
Cash flows from investing activities			
Cash inflows from the sale of non-current assets held for sale (properties)		0	41,200
Payments for investments in investment properties		–10,936	–206
Purchase of intangible assets		–65	–83
Purchase of property, plant and equipment		–21	–107
Payments for additions to consolidation group less cash and cash equivalents acquired		0	85
Cash flows from investing activities		**–11,022**	**40,889**
Cash flows from financing activities			
Cash inflows from new (financial) loans		175,218	187,482
Payments for lease liabilities		–156	–348
Repayments of loans		–67,514	–100,126
Cash inflows from equity contributions from non-controlling interests		5,000	0
Cash flows from financing activities		**112,548**	**87,008**
Net change in cash and cash equivalents		–216	–7,506
Change in cash and cash equivalents due to consolidation group		–614	0
Cash and cash equivalents as of 01/01		**8,951**	**16,457**
Cash and cash equivalents as of the end of the period		**8,121**	**8,951**

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS OF GATEWAY REAL ESTATE AG

1. REPORTING ENTITY

Gateway Real Estate AG (in the following also referred to as "GATEWAY," "Company" or "Group," in each case referring to the GATEWAY Group as a whole) is a listed developer of residential real estate and urban quarters in Germany, using resource-saving wood construction methods, with a market capitalization of around €126 million (as of December 29, 2023). Established in 2006, GATEWAY and its subsidiaries can look back on extensive expertise in the German real estate market. Including the secured pipeline, the gross development volume (GDV) currently (as of December 31, 2023) amounts to more than €5 billion.

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

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

The consolidated financial statements were prepared by the Management Board as of September 23, 2024 and, subject to the Supervisory Board's approval, released for publication on September 23, 2024.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 GENERAL INFORMATION

The Company's consolidated financial statements as of December 31, 2023, were prepared in accordance with the International Financial Reporting Standards (IFRS, including the interpretations of the IFRS Interpretations Committee) applicable as of December 31, 2023, as they have been endorsed by the European Union. In addition, the requirements set out in Section 315e (1) of the German Commercial Code (Handelsgesetzbuch; HGB) were also complied with.

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

The financial statements were prepared on the basis of historical cost, except for investment properties and equity investments which are measured at fair value.

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

Measurement continues to be based on the going concern assumption.

As of the reporting date, the Group has financial liabilities due in the short term in the amount of €810.1 million, mainly relating to the financing arrangements for the projects Borussia Köln, SoHo Mannheim, Dresden Blüherpark, Berlin Heinersdorf, and Augsburg, and a promissory note loan of Gateway Real Estate AG taken out for general financing purposes. Of these liabilities, an amount of €656.8 million was not fully covered by agreed refinancing or planned sales proceeds as of the reporting date. An amount of €119.6 million of the loans was extended as part of the Management Board's negotiations with the individual lenders. As regards extensions of financing arrangements with a volume of €502.1 million that have not yet been agreed, the lenders have sufficient collateral in the form of land charges, which means that the financing arrangements are expected to be extended, in the view of the Company's legal representative, and the realization of the collateral provided will be accepted in exceptional cases. Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation, a material portion of the financing arrangements not extended up to the date of preparation is not extended and the sale of

overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk.

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

2.2 FINANCIAL REPORTING STANDARDS

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

—

Standard	Content
IFRS 17	New standard "Insurance Contracts"
Amendments to IFRS 17	Insurance Contracts, Initial Application of IFRS 17 and IFRS 9 – Comparative Information
Amendments to IAS 1	Disclosure of Accounting Policies (IFRS Practice Statement 2) issued
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction International Tax Reform – Pillar Two Model Rules: Exception to the requirements in this standard under which an entity does not recognize and disclose deferred tax assets and liabilities relating to OECD Pillar Two income taxes.

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

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

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued further standards and interpretations that are not yet required to be applied for the fiscal year 2023 or that have yet to be endorsed by the EU.

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Standard amendment	Content	Mandatory first-time application for fiscal years beginning on or after
Standards already endorsed by the EU, but not yet required to be applied		
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	01/01/2024
Amendments to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	01/01/2024
Amendments to IAS 7/IFRS 7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7). Qualitative and quantitative information on supplier finance arrangements	01/01/2024
Standards not yet endorsed by the EU and not yet required to be applied		
Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	01/01/2025
IFRS 18	Presentation and Disclosure in Financial Statements	01/01/2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	01/01/2027

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

2.3 BASIS OF CONSOLIDATION

A. CONSOLIDATION PRINCIPLES

i. Acquisitions

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

ii. Subsidiaries

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

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

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

iii. Non-controlling interests

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

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

iv. Loss of control

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

v. Investments accounted for using the equity method

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

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

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

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

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

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

B. SCOPE OF CONSOLIDATION

GATEWAY's scope of consolidation in the reporting period 2023 includes Gateway Real Estate AG as well as 76 (previous year: 80) subsidiaries. A total of 72 (previous year: 76) companies have their registered office in Germany and 4 (previous year: 4) in other countries.

As of December 31, 2023, as in the previous year, one associate was included in the consolidated financial statements using the equity method.

Please refer to Note 6.4 for more details.

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

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

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

C. CHANGES IN THE SCOPE OF CONSOLIDATION

Deconsolidation of SKE Immo Sulzbach GmbH
By letter dated March 21, 2023, the share in voting rights held in the company SKE Immo Sulzbach GmbH was transferred to the creditor. The company was deconsolidated as of February 20, 2023 following the loss of control.

Upon the disposal of SKE Immo Sulzbach GmbH, inventories are reduced by €54,748 thousand. Additional effects on the financial statements refer to other assets. Other financial assets increase due to remaining receivables in the amount of €61,272 thousand. Deferred tax assets decline by €3,012 thousand on Group level. Overall, there is no deconsolidation effect on profit or loss.

Accrual of Gateway 1te Bochum GmbH & Co. KG, Gateway 1te Siegen GmbH & Co. KG, Gateway 1te Düsseldorf GmbH & Co. KG
By way of the accrual agreement (Anwachsungsvertrag) dated March 20, 2023, the general partner, Gateway Siebte GmbH, of the companies Gateway 1te Bochum GmbH & Co. KG, Gateway 1te Siegen GmbH & Co. KG and Gateway 1te Düsseldorf GmbH & Co. KG resigns from the companies. Upon the resignation of the general partner, all of the companies' assets accrue to the limited partner, Gateway Achte GmbH. The transaction does not have any effect on the Group's financial statements.

Accrual of S9 Casino Quartier GmbH & Co. KG
By way of the accrual agreement (Anwachsungsvertrag) dated September 27, 2023, the general partner, Gateway SoHo Sullivan Verwaltungs GmbH, of the company S9 Casino Quartier GmbH & Co. KG resigns from the companies. Upon the resignation of the general partner, all of the company's assets accrue to the limited partner, Gateway SoHo Sullivan GmbH & Co. KG. The transaction does not have any effect on the Group's financial statements.

Merger of Gateway Fünfte GmbH
Upon registration with the company register on April 3, 2023, the company Gateway Fünfte GmbH was merged with Gateway Achte GmbH. The transaction does not have any effect on the Group's financial statements.

Disposal of shares in Baufeld 23 Entwicklungs GmbH
By way of the share purchase agreement dated October 31, 2023, the company Baufeld 23 Entwicklungs GmbH was sold for a purchase price of €22,475, resulting in the deconsolidation of the company. The elimination of the company from the scope of consolidation had an impact of €8,569 thousand on inventories and of €7,940 thousand on financial liabilities. The result from deconsolidation amounts to €–1,257 thousand.

Formation of new project development companies
The companies Gateway Einundzwanzigste UG (haftungsbeschränkt), Gateway Zweiundzwanzigste UG (haftungsbeschränkt) and Gateway SoHo Sullivan Baufeld 10 GmbH & Co. KG were newly established in the fiscal year 2023 with the objective of purchasing new project development sites. However, none of the project acquisitions planned for the companies had been closed as of the reporting date.

2.4 FUNCTIONAL CURRENCY

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

2.5 INTANGIBLE ASSETS

A. GOODWILL

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

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

B. OTHER INTANGIBLE ASSETS

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

2.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

The value in use as of September 30 used for the goodwill impairment test is determined by discounting the expected future cash flows from continuing use of the CGUs on the basis of a risk-adjusted interest rate. The future cash flows are determined based on the medium-term 5-year planning approved by the management as applicable as of the date when the impairment test is conducted. This planning is based on the expectations as regards future market shares, the general development of the relevant markets as well as the profitability of the projects and the project term. The rounded risk-adjusted interest rates, which were determined specifically for the respective group of CGUs and which are used for discounting the cash flows, are based on the weighted average cost of capital and amount to 8.36% (previous year: 4.93%) after taxes for the group of CGUs "Standing Assets" and 9.97% (previous year: 6.17%) after taxes for the group of CGUs "Residential Properties Development".

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

If the value in use is lower than the carrying amount, the fair value less costs to sell is additionally ascertained in order to determine the recoverable amount. Impairment losses are reported in the consolidated statement of comprehensive income under the item "Amortization, depreciation and impairment on intangible assets and property, plant and equipment".

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

2.8 INVESTMENT PROPERTIES

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

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

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

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

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

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

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

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

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

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

2.9 FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.10 IMPAIRMENT OF NON-DERIVATIVE FINANCIAL ASSETS

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

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

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

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

In principle, the Group assumes that the default risk of a financial asset has increased significantly if it is past due for more than 30 days. If payment plans are negotiated with debtors and, in particular, payments are received, no loss allowances will be recognized even for amounts past due, as the Group generally assumes that the agreements and incoming payments indicate that the outstanding receivables are recoverable. This assessment is subject to constant monitoring.

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

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

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

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

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

2.11 INVENTORIES

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

In the Residential Properties Development segment, the Group develops residential buildings and urban quarters in Germany's top 8 cities (i.e. Berlin, Dresden, Cologne, Duesseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart) and in selected metropolitan regions.

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

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

Net realizable value is the estimated selling price realizable in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. For inventory properties whose net realizable value is below amortized cost, impairment losses to net realizable value were recognized.

The majority of current inventory properties will not be realized within the next 12 months, given the fact that property developments usually take several years to complete.

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

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

2.12 CASH AND CASH EQUIVALENTS

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

2.13 OTHER PROVISIONS

Other provisions are recognized when the Company incurs a present obligation, legal or constructive, as a result of a past event and it is probable that the settlement of the obligation will require an outflow of economic resources, and the amount of the obligation can be estimated reliably.

Expected future outflows are discounted to present value by application of a current maturity-matched interest rate before taxes that reflects the current market expectations for the interest effect and for the risks specific to the liability, if the effect is material.

If the Company expects reimbursement of an amount set aside in a provision (e.g. under an insurance policy), it treats the reimbursement claim as a separate asset as long as it is virtually certain that reimbursement will be received if the Company settles the obligation.

The Company recognizes a provision for onerous contracts if the expected benefit from the contractual claim is less than the unavoidable costs of settling the contractual obligation.

2.14 FINANCIAL LIABILITIES

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

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

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

When financial liabilities are acquired, they are checked for embedded derivatives that need to be separated. In the context of GATEWAY, these are particularly termination options embedded in bonds or loan agreements in connection with minimum interest. If there is an embedded derivative that is required to be separated, the embedded termination rights are separated at initial recognition from the basic debt component and recognized in equity and a derivative asset or derivative liability is recognized at the same time. The derivative financial instruments separated from the host contract have to be allocated to the FVtPL category and have to be measured subsequently at fair value through profit or loss. Embedded derivatives are measured using option pricing models that are accepted as financial calculation methods. There are no such embedded derivatives as of the reporting date.

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

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

2.15 BORROWING COSTS

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

Borrowing costs of €53,636 thousand (previous year: €42,705 thousand) were capitalized as changes in inventory in the reporting period. As in the previous year, borrowing costs incurred in the year under review were directly attributable to production and could be capitalized accordingly. In 2023, the interest rates for the loans to third parties were between 1.5% and 20.0%.

2.16 DEFERRED AND CURRENT INCOME TAXES

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

CURRENT TAXES

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

DEFERRED TAXES

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

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

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

2.17 REVENUE RECOGNITION

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

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

IFRS 15 defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. Contracts may be concluded in writing, orally, or implicitly on the basis of a company's customary business practices. Contracts must be combined under certain circumstances. In the second step, the Group identifies the individual performance obligations. Generally speaking, a commitment is always deemed to be a performance obligation when the good or service is distinct. In the third step, the transaction price is determined, which represents the consideration for the transfer of goods or services. The transaction price of the contracts analyzed may include variable components. In the past, this referred to, on the one hand, contractually agreed purchase price reductions for construction projects. On the other hand, incidental cost statements are of a variable nature and were determined on the basis of the expected value method. The expected value is continuously reviewed and corrected. The time period between the transfer of the good or asset to the customer and the payment by the customer is usually not more than one year. Therefore, the promised consideration is not adjusted to match the time value of money. In step four, the consideration is allocated to the identified performance obligations on the basis of stand-alone selling prices. A suitable evidence of the stand-alone selling price is the price at which the Group has actually sold the good or service individually to comparable customers under similar circumstances. If the stand-alone selling price is not reliably observable and therefore cannot be determined, the Group applies the expected cost plus a margin approach in accordance with IFRS 15.79(b) to determine the stand-alone selling price.

Revenues are recognized at a point in time or over time according to when the existing performance obligations are satisfied. The Group recognizes revenues over time provided the requirements for a transfer of control over time in accordance with IFRS 15.35 (a)–(c) are met. If the performance obligation is not satisfied over time, then the Group satisfies its performance obligation on a particular date. A performance

obligation is satisfied by transferring control over the good or service. In this context, control is understood to mean the ability to direct the use of the good or service and obtain substantially all the benefits from it.

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

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

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

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

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

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

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

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

2.18 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

TERMINATION BENEFITS

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

2.19 LEASES

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

a) As lessee

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

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

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

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

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

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

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

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

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

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

2.20 RESIDUAL CLAIMS AND DIVIDEND PAYMENTS

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

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

2.21 CASH FLOW STATEMENT

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

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

Other non-cash expenses and income, as reported in the reconciliation of total comprehensive income for the period to the cash flows from operating activities, largely resulted from non-cash changes of other financial assets.

Other changes include the net modification result of €31,913 thousand arising from the contract adjustment in relation to the acquisition financing for the SoHo Mannheim project. In addition, there was a consolidation-related disposal of current financial liabilities in the year under review amounting to €7,940 thousand.

In the previous year, a non-cash amount of €5,000 thousand was offset between the line items "Trade payables" and "Other financial liabilities".

The line item "Payments for lease liabilities" includes interest paid amounting to €7 thousand.

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

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

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FINANCIAL LIABILITIES

in € thousand	2023	2022
Balance as of January 1	**815,861**	**687,686**
Cash inflows from raising of financial liabilities	175,218	187,482
Repayments of financial liabilities	–67,514	–100,126
Total change in cash flows from financing activities	**107,704**	**87,356**
Changes from the acquisition or loss of subsidiaries, other businesses or net assets that do not represent a business	5,704	0
Finance costs	79,774	56,627
Interest paid	–34,204	–24,057
Net modification result	–31,913	0
Miscellaneous changes	–13,444	8,249
Total other changes	**5,917**	**40,819**
Balance as of December 31	**929,282**	**815,861**

2.22 NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

2.23 GOVERNMENT GRANTS

Government grants are recognized at their fair value once there is reasonable assurance that the conditions attaching to such grants are complied with and the grants will be received.

More specifically, government grants, whose most important conditions are the purchase, construction or other acquisition of non-current assets (including property, plant and equipment), are recognized as a deduction from the cost of the asset, resulting in lower depreciation. In the statement of profit or loss, government grants are recognized as other operating income or as a reduction of depreciation.

The grants reported in the year under review consist of building cost subsidies in the context of promoting the development of social housing of the German federal state of Baden-Wuerttemberg in the amount of €38.0 million, of which an amount of €30.2 million had already been disbursed as of the reporting date. The building cost subsidies are recognized as a reduction of cost. The main prerequisites for the funding commitment are specified rent and occupancy commitments, the breach of which would result in the termination of the funding commitment with corresponding repayment obligations. A sale of the property during the period in which the rental and occupancy commitments apply would also result in the withdrawal of the funding commitment.

3. ADDITIONAL DISCLOSURES CONCERNING FINANCIAL INSTRUMENTS

3.1 PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

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

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

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

3.2 CAPITAL MANAGEMENT

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

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

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

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EQUITY RATIO

in € thousand	2023	2022
Equity	212,842	379,049
Total assets	1,384,797	1,431,550
Equity ratio (in %)	**15.4**	**26.5**

3.3 CLASSES OF FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

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

FINANCIAL ASSETS

	Carrying amount in € thousand		Fair value in € thousand	Level of fair value hierarchy
				12/31/2023
	Mandatorily at FVtPL	Financial assets – AmC		
Financial assets measured at fair value				
Equity investments	2,617	0	2,617	3
Total	**2,617**	**0**	**2,617**	
Financial assets not measured at fair value				
Trade receivables	0	989	989	
Other receivables	0	9,539	9,539	
Contract assets	0	914	914	
Loans	0	124,886	124,886	
Security deposits for leased office space	0	221	221	
Cash and cash equivalents	0	8,121	8,121	
Total	**0**	**144,669**	**144,669**	
Total financial assets	**2,617**	**144,669**	**147,286**	

FINANCIAL LIABILITIES

	Carrying amount in € thousand		Fair value in € thousand	Level of fair value hierarchy
				12/31/2023
	Mandatorily at FVtPL	Financial liabilities – AmC		
Financial liabilities measured at fair value				
Liabilities, non-controlling interests	236	0	236	3
Total	**236**	**0**	**236**	
Financial liabilities not measured at fair value				
Liabilities to banks	0	381,436	379,064	2
Liabilities to related companies	0	121,697	121,697	2
Liabilities to third parties from exchange-listed corporate bonds	0	72,811	66,235	1
Liabilities to third parties from corporate bonds	0	202,495	204,975	2
Loan liabilities to third parties	0	219,261	220,190	2
Trade payables	0	108,205	108,205	
Other financial liabilities	0	15,983	15,983	
Lease liabilities	0	170	n/a	
Contract liabilities	0	573	573	
Total	**0**	**1,122,630**	**1,116,922**	
Total financial liabilities	**236**	**1,122,630***	**1,117,158**	

* With the exception of lease liabilities that are separate from the classification in accordance with IFRS 9, the total of the category 'other financial liabilities – AmC' amounts to €1,122,460 thousand.

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FINANCIAL ASSETS

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

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FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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in € thousand	Liabilities non-controlling interests	Equity investments FVtPL
Balance as of 01/01/2022	**–742**	**2,582**
Gains (losses) recognized in finance costs	–12	0
Disposals from consolidation group	0	0
Balance as of 12/31/2022	**–754**	**2,582**
Gains (losses) recognized in finance costs	0	0
Additions	0	35
Disposal due to increase of shareholdings	518	0
Balance as of 12/31/2023	**–236**	**2,617**

3.4 NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS

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

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NET GAIN OR LOSS

				2023
in € thousand	Mandatorily at FVtPL	Financial assets – AmC	Other financial liabilities – AmC	Total
Finance income	0	12,408	31,913	**44,321**
Finance costs and other finance costs, net	0	0	–82,901	**–82,901**
Impairment and derecognition (in other operating expenses)	0	–105,090	0	**–105,090**
Net gain or loss	**0**	**–92,682**	**–50,988**	**–143,670**

—

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

3.5 INTEREST RATE RISK

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

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

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

Based on a risk exposure of €393,221 thousand (previous year: €341,974 thousand) and given a hypothetical increase or decrease in the market interest rate level by 50 basis points, the following effects would have been incurred on earnings before taxes (EBT), which influence the net finance costs presented in profit or loss:

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RESULT

in € thousand	Basis points	2023	2022
Shift in market interest level	+50 –50	2,124 –1,931	1,881 –1,710

3.6 DEFAULT RISK MANAGEMENT

Default risk is the risk of a loss for the Group if a contracting party does not fulfill its contractual obligations. The Group only enters into business relationships with creditworthy contracting parties and obtains 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

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

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

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TRADE RECEIVABLES

in € thousand	12/31/2023	12/31/2022
Receivables not past due	228	1,420
Receivables past due by up to 30 days	175	17
Receivables past due by up to 90 days	173	0
Receivables past due by up to 180 days	271	44
Receivables past due by up to 360 days	103	274
Receivables past due by more than 360 days	39	302
Total	**989**	**2,057**
Impairment	0	0
Net carrying amount	**989**	**2,057**

Receivables not past due at the reporting date are mainly owed by customers with good creditworthiness or concerning which the Group does not expect any notable defaults. In the past, there were also no material impairments or defaults due to creditworthiness.

The majority of past due receivables result from lease receivables. On the basis of current information, it has to be assumed that these receivable can be collected since rental guarantees and rent deposits are available to secure rent-related claims. In addition, agreements have been reached with tenants to repay the receivables, and we have already received payments in this context.

The opening balance of impairments of trade receivables as of January 1, 2023 is reconciled with the closing balance of impairments in the table below:

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IMPAIRMENT ON TRADE RECEIVABLES*

in € thousand	2023	2022
As of 01/01	**0**	**0**
Increase in the impairment for credit losses recognized in profit or loss for the fiscal year	0	0
Amounts written off as uncollectable in the fiscal year	0	13
Amounts derecognized in the context of deconsolidation	0	0
Amounts not utilized and reversed	0	0
As of 12/31	**0**	**13**

*Simplified approach

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

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

OTHER FINANCIAL ASSETS

As a result of the general uncertainty observed in the area of real estate project development and the insolvency applications that have occurred in the sector to date, the Management Board assumed a not insignificant credit risk for certain receivables from companies in the sector in the first half of 2023 and had already recognized loss allowances for these receivables based on the probability of default in accordance with the three-stage model pursuant to IFRS 9 (expected credit loss model).

As of December 31, 2023, the Management Board had additional objective indicators for further impairment. Therefore, another Stage 3 loss allowance was recorded.

Accordingly, additional loss allowances in the amount of €100,482 thousand, i.e. a total of €104,953 in the year under review, were recognized for other loan receivables from third parties and related companies, contract assets and outstanding purchase price receivables, as the creditworthiness of the parties is deemed deteriorated. The Management Board decided to recognize these loss allowances after it had become aware of new information on the financial situation of the debtors concerned.

Overall, the specific loss allowances on other financial assets as of December 31, 2023 amount to €112,497 thousand (previous year: €271 thousand).

CASH AND CASH EQUIVALENTS

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

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

3.7 LIQUIDITY RISK

Liquidity risks mainly comprise the risk that existing or future payment obligations cannot be met on time due to insufficient availability of cash funds.

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

Liquidity planning comprises a rolling liquidity plan until the end of 2025 that is prepared weekly and enables close monitoring of the current and future liquidity situation. Moreover, significant matters relating to liquidity risk are reported to the Chairman of the Supervisory Board on a monthly basis.

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

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CONTRACTUAL CASH FLOWS

					2023
in € thousand	Within 12 months	From 12 to 24 months	From 24 to 60 months	After more than 60 months	Total
Financial liabilities	–836,680	–44,692	–77,325	–4,185	**–962,882**
Trade payables	–161,113	0	0	0	**–161,113**
Other financial liabilities	–33,996	–400	–376	0	**–34,772**
Lease liabilities	–113	–57	0	0	**–170**
Total	**–1,031,902**	**–45,149**	**–77,701**	**–4,185**	**–1,158,937**

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

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

After the reporting date, the Group has been granted additional funds or has been provided with collateral by related parties in individual cases in order to hedge liquidity risks. These include both loans and guarantees. Please refer to the following sections for further details.

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

A possible early repayment obligation might arise from existing covenants for some financial liabilities with a total carrying amount of €247.7 million (previous year: €236.3 million). The covenants refer to LTV and LTC, respectively; compliance with the covenants is monitored on an ongoing basis. There is currently no indication that covenants have been infringed.

As of the reporting date, the Group has financial liabilities due in the short term in the amount of €810.1 million, mainly relating to the financing arrangements for the projects Borussia Köln, SoHo Mannheim, Dresden Blüherpark, Berlin Heinersdorf, and Augsburg, and a promissory note loan of Gateway Real Estate AG taken out for general financing purposes. Of these liabilities, an amount of €656.8 million was not fully covered by agreed refinancing or planned sales proceeds as of the reporting date. An amount of €119.6 million of the loans was extended as part of the Management Board's negotiations with the individual lenders. As regards extensions of financing arrangements with a volume of €502.1 million that have not yet been agreed, the lenders have sufficient collateral in the form of land charges, which means that the financing arrangements are expected to be extended, in the view of the Company's legal representative, and the realization of the collateral provided will be accepted in exceptional cases. Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation, a material portion of the financing arrangements not extended up to the date of preparation is not extended and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk.

According to the Management Board, the situation of the individual projects and the subsidiaries involved in the respective projects is as follows:

Borussia Köln project development:
After the reporting date, both junior and senior financing agreements for the Cologne project development with a carrying amount of €253,335 thousand were extended initially until June 28, 2024 by way of an agreement dated May 17, 2024 and May 28, 2024. The Company is currently in negotiations and talks regarding a longer-term solution, which should be achieved already in 2024 if possible.

Collateral was provided for the senior financing in the form of pledges of shares and real estate assets secured by land charges with a carrying amount of €406,234 thousand and a letter of comfort of Gateway Real Estate AG towards the lender as regards payment of a maximum amount of €8,000 thousand.

The agreement reached with the senior lender on August 21, 2023, provided for a deferral of the interest due and payable as at June 30, 2023 until September 15, 2023. Interest was paid on September 14, 2023. Furthermore, the agreement provided for a deferral of the obligation to contribute equity capital of €5.0 million until November 30, 2023 and of a further €10.0 million until February 29, 2024. On May 17, 2024 and on May 28, 2024, both financing arrangements were extended initially until June 28, 2024. At the same time, several requirements were agreed which, if they are complied with, allow for an extension for a longer period of one year. In this context, GATEWAY has met its obligations to date and is currently in negotiations for a short to medium-term extension or solution. The milestones required to be reached for an extension beyond June 28, 2024 are being negotiated at the moment. If an extension is not achieved, there is the possibility that the collateral provided for this project is realized, and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements due to the resulting realization of the collateral provided would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated realization of the collateral provided.

SoHo Mannheim project development:
In the year under review, the bond for the acquisition financing in relation to the SoHo Mannheim project was extended on the basis of a repayment agreement. Moreover, a waiver of accrued interest in the amount of €28,288 thousand was part of the agreement. In addition, no additional interest accrues on the financing in the period from the reporting date until the end of the term. The agreement, which was documented in writing on April 29, 2024, also provided for a precise payment plan. The non-compliance with these payment terms would constitute an event of default and would reinstate the previous agreement and also reverse the waiver of interest.

The change in the contractual terms led to a significant modification in the contractual cash flows and thus to the derecognition of the original liability and the recognition of the new, amended liability. In fiscal year 2023, the transaction resulted in a net modification result in a total amount of €31,913 thousand, which is reported as finance income under net finance costs.

Collateral in the form of a guarantee in the amount of €15,000 thousand had already been provided by the Group's ultimate parent company in the past for the extended bond with a carrying amount of now €50,256 thousand. Moreover, the bond is collateralized for the benefit of the lenders by way of land charges on the properties underlying the financing in a total amount of €61,802 thousand. We also refer to the section on events after the reporting date.

Based on a supplement dated September 13, 2024, a new payment plan was agreed, pursuant to which €1,000 thousand was paid in September 2024 and it was agreed to make the remaining repayments in three tranches. A further €2,000 thousand in each case is linked to previously defined sales. The remaining value was extended until July 2025.

Dresden Blüherpark project development:
The acquisition financing for the project development and also for the existing commercial property in Dresden Blüherpark has a nominal loan amount of €87,000 thousand, plus interest of €6,688 thousand payable upon final maturity and a term until October 31, 2024. Real estate assets secured by land charges with a carrying amount of €184,925 thousand and pledges of shares are used as collateral. In light of ongoing discussions with various investors, the Management Board assumes that the loan amounts will be repaid in an orderly manner.

By way of a declaration dated April 28, 2021, the Group's ultimate parent company issued an irrevocable and unconditional guarantee to the creditor of the acquisition financing for unpaid interest and a cost overrun in the amount of €3,500 thousand, which is deemed unlikely. If an extension beyond October 31, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated realization of the collateral provided.

Standing asset in Augsburg:
The investment property in Augsburg is financed by the Group's ultimate parent company until May 31, 2024 through a loan with a nominal amount of currently €41,896 thousand. Real estate assets secured by land charges with a carrying amount of €99,100 thousand are used as collateral. On May 16, 2024, a special repayment of €2,276 thousand was made, reducing the loan amount to a total of €39,620 thousand. Negotiations are currently held with a new financing partner to take over the existing financing and to lend funds for further project development costs. In the agreement dated June 17, 2024, the current lender agreed to extend the existing financing subject to further payments in the course of the 2024 fiscal year. To that extent, a closing fee of €594 thousand was paid on August 26, 2024 and interest in the amount of €427 thousand was paid on August 29, 2024, which resulted in the repayment date being postponed for the time being to December 31, 2024.

Based on the discussions, it is currently assumed that the existing financing will be extended until the potential new financing partner redeems the loan. The special repayments required for a potential extension of the financing until May 31, 2025, which are required to be made in the 2024 forecast period, were included in the Group's liquidity planning. If the Group's development is as planned in the 2024 forecast period, it is more likely than not that the special repayments can be made. If an extension beyond December 31, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements due to the resulting realization of the collateral provided would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated realization of the collateral provided.

Baufeld 23 project development:
As part of the unwinding of the acquisition of the Leipzig project development agreed in the first half of 2023, a standstill agreement applicable until the closing of the sale of the shares was entered into in relation to a financing of the respective project development Baufeld 23 Entwicklungs GmbH in the amount of €7,000 thousand. The financing had been made due and payable before by the lender. Due to the disposal of shares in Baufeld 23 Entwicklungs GmbH and its deconsolidation as of October 31, 2023, the Group had no further obligations as of the reporting date.

Berlin Heinersdorf project development:
The senior financing of the Berlin Heinersdorf project development has a nominal loan value of €30,000 thousand and a term until September 30, 2024. Real estate assets secured by land charges with a carrying amount of €36,600 thousand are used as collateral.

In light of ongoing discussions with various investors, the Management Board assumes that the loan will be either extended or restructured. If an extension or a standstill agreement beyond September 30, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements due to the resulting realization of the collateral provided would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Summary:
Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's planned financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation of the legal representative, a material portion of the financing arrangements not extended up to the date of preparation is not extended subsequently and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk overall.

Please also refer to the statements in the report on risks and opportunities in the Group management report in section 3.2.2 under the headings "Financing risks" and "Liquidity risks" as well as on the description of significant events after the reporting date in section 7.8.

3.8 FINANCING RISK

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

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

The market risk from bank loans results from interest rate risks in relation to the variable-interest loans and generally in case of loan extensions. Unutilized credit facilities from project financings in the amount of €173,145 thousand were available as of the reporting date (previous year: €270,588 thousand). After the reporting date, the unutilized credit facilities increased to €182,145 thousand.

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

3.9 ASSETS PLEDGED AS SECURITY

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

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

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ASSETS

in € thousand	2023	2022
Current		
Investment properties held for sale	0	0
Inventories	918,576	878,763
Cash and cash equivalents	3,892	2,473
Total amount of current assets transferred as security	**922,468**	**881,236**
Non-current		
Property, plant and equipment	0	0
Investment properties	238,527	271,170
Total amount of non-current assets transferred as security	**238,527**	**271,170**
Total amount of assets transferred as security	**1,160,995**	**1,152,406**

In addition, the following shares in fully-consolidated subsidiaries were provided in full as security:
— Storkower Straße 142–146 PE GmbH (100% of the shares) with net assets amounting to €–190 thousand
— Revaler Straße 32 PE GmbH (100% of the shares) with net assets amounting to €–8,962 thousand
— Borussia Dresden QaB 1–12 (100% of the shares) with net assets amounting to €44,552 thousand
— Borussia Köln-Deutz 1–21 (100% of the shares) with net assets amounting to €7,919 thousand
— Project companies of SoHo Mannheim (S1–12) (100% of the shares) with net assets amounting to €16,912 thousand

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

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

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

- The Company's financial statements were prepared on a going concern basis. In assessing the Company's ability to continue its business activities in the foreseeable future, assumptions and estimates are required to be made regarding the Company's future economic development and liquidity position. This assessment is based on current business performance and the expected economic and financial situation. Apart from the risks jeopardizing the Company as a going concern as described in the risk report, there are currently no indications of circumstances that might give rise to material uncertainty regarding the continuation of business operations. If this was to change, appropriate adjustments would have to be made regarding accounting and measurement.

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

- The market values of investment properties are based on the results of independent experts engaged for this purpose. The appraisals are conducted in accordance with the discounted cash flow method or the residual value method based on expected future revenue surpluses (procedure of Measurement Level 3). Accordingly, factors such as future rental income and the valuation interest rate to be applied, which have a direct effect on the fair values of the investment properties, are estimated by GATEWAY in collaboration with the appraiser. The fair values of investment properties as of the reporting date totaled €238,527 thousand (previous year: €271,170 thousand). We refer to Note 6.3.

- In order to determine the net realizable value of inventory properties, estimates are calculated in relation to the selling price realizable in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

- Estimates must be made for the recognition of current and deferred taxes. There are uncertainties related to the interpretation of tax regulations, including for example with respect to the treatment of tax loss carryforwards when ownership changes during a fiscal year, taking into account the rules set out in Section 8c of the German Corporation Tax Act (Körperschaftssteuergesetz, KStG) and Section 10a of the German Municipal Trade Tax Act (Gewerbesteuergesetz, GewStG). Therefore, differences between the actual results and our assumptions or future changes in our estimates can lead to changes of the taxable profit in future periods. In addition, the utilization of deferred tax assets requires future tax results, unless deferred tax liabilities of at least the same amount are also attributable to a tax unit. We refer to Note 6.13.

- There is scope for discretion in determining the time and amount of revenue recognition in accordance with the principles of IFRS 15. If a binding sales contract already exists for a property under development, revenue recognition based on a time period in accordance with the estimated stage of completion can also be considered in addition to revenue recognition based on a specific point in time. This applies accordingly to revenue recognition for undertakings included in the financial statements using the equity method. We refer to Notes 6.4 and 6.14.

- As a result of the general uncertainty observed in the area of real estate project development and due to the insolvency applications filed to date in the real estate sector, the Management Board believes that the credit risk for certain receivables from companies within the sector is not low. Moreover, the Management Board now has objective indicators for expected impairment (Stage 3 expected credit losses). Against this backdrop, loss allowances in the amount of €104,953 thousand were recorded for the receivables reported as current other financial assets with a total carrying amount of €150,823 thousand on the basis of the expected credit loss model. We refer to Notes 6.6 and 6.18.

- The Company recognizes provisions as part of its operating activities for various matters. The amount of the expected cash outflows is determined on the basis of assumptions and estimates on a case-by-case basis. These assumptions can be subject to changes which may result in deviations in future periods. We refer to Note 6.10.

- Government grants can be recognized once the conditions attaching to them are met and the grants have actually been received. Investment grants are recognized based on the fair value model by reducing the cost which in turn results in a reduced depreciation expense (IAS 20.12 ff.). We refer to Note 6.18.

5. SEGMENT REPORT

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

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

The individual segments are described in the following:

- **Standing Assets:** This segment covers a profitable and diverse portfolio of existing properties. The segment revenues during the fiscal year primarily consist of rental income from the completed investment properties.

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

- **Commercial Properties Development:** The development activities for commercial properties are combined in the Commercial Properties Development segment. The objective of this segment is to develop attractive and high-quality office buildings with modern architecture and flexible usage formats.

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

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

Revenue from third parties (external revenue) is generated exclusively in Germany; 54.5% (previous year: 91.5%) of this revenue is attributable to the Standing Assets segment, 41.0% (previous year: 0.0%) to the Commercial Properties Development segment and 4.5% (previous year: 8.5%) to the Residential Properties Development segment. Revenue from third parties of all segments mainly refers to rental revenue and the revenue from operating costs from investment properties held as financial investments and held for sale as well as from interim rentals of project developments.

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

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

Interest income and interest expenses are allocated according to the associated liabilities or assets.

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

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

6.1 INTANGIBLE ASSETS

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

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

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COST

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2022	**15,913**	**186**	**120**	**16,219**
Additions	0	83	0	83
Disposals	0	0	0	0
Balance as of 12/31/2022	**15,913**	**269**	**120**	**16,302**
Additions	0	65	0	65
Disposals	0	0	0	0
Balance as of 12/31/2023	**15,913**	**334**	**120**	**16,367**

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AMORTIZATION

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2022	**0**	**57**	**44**	**101**
Additions	0	41	24	65
Disposals	0	0	0	0
Impairment	6,124	171	52	6,347
Balance as of 12/31/2022	**6,124**	**269**	**120**	**6,513**
Additions	0	0	0	0
Disposals	0	0	0	0
Impairment	9,789	65	0	9,854
Balance as of 12/31/2023	**15,913**	**334**	**120**	**16,367**

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CARRYING AMOUNTS

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2022	**15,913**	**129**	**76**	**16,118**
Balance as of 12/31/2022	**9,789**	**0**	**0**	**9,789**
Balance as of 12/31/2023	**0**	**0**	**0**	**0**

The goodwill resulting from the reverse acquisition in 2018 and remaining as of the beginning of the reporting period originally amounted to €9,789 thousand, as in the previous year, and was attributable to the group of CGUs "Residential Properties Development."

The remaining goodwill was subjected to the annual impairment test in accordance with the provisions set out in IAS 36, performed as of September 30, 2023 and December 31, 2023. For this purpose, the carrying amount of the group of CGUs is compared with its recoverable amount. The recoverable amount of the group of CGUs is determined using its value in use which is calculated by discounting projected cash flows. The recoverable amount for the group of CGUs "Residential Properties Development" amounted to €474.9 million as at December 31, 2023.

The impairment test conducted on the basis of the value in use of the group of CGUs showed that impairment losses for the full amount were required to be recognized for the group of CGUs of the Residential Properties Development business area.

Therefore, the carrying amounts of the group of CGUs "Residential Properties Development" (€9,789 thousand) were fully impaired. The respective carrying amounts were fully attributable to goodwill. In addition, impairment losses on other intangible assets in the other segments totaling €65 thousand were also recognized. Impairment losses recognized for property, plant and equipment amounted to a total of €58 thousand (see Note 6.2).

The impairment results from a delay of project development activities following the weaker overall economic situation and from increased costs of capital.

6.2 PROPERTY, PLANT AND EQUIPMENT

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

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

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COST

in € thousand	Operating facilities	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2022	**28**	**16**	**1,378**	**375**	**1,797**
Additions	0	6	0	74	80
Disposals	28	0	0	–5	23
Balance as of 12/31/2022	**0**	**22**	**1,378**	**454**	**1,854**
Additions	0	44	0	16	60
Disposals	0	0	0	0	0
Balance as of 12/31/2023	**0**	**66**	**1,378**	**470**	**1,914**

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DEPRECIATION AND IMPAIRMENTS

in € thousand	Operating facilities	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2022	**13**	**9**	**812**	**210**	**1,044**
Additions	0	7	192	75	274
Disposals	13	1	0	0	14
Impairment	0	7	374	171	552
Balance as of 12/31/2022	**0**	**22**	**1,378**	**456**	**1,856**
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Impairment	0	44	0	14	58
Balance as of 12/31/2023	**0**	**66**	**1,378**	**470**	**1,914**

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CARRYING AMOUNTS

in € thousand	Operating facilities	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2022	**15**	**7**	**566**	**165**	**753**
Balance as of 12/31/2022	**0**	**0**	**0**	**4**	**4**
Balance as of 12/31/2023	**0**	**0**	**0**	**0**	**0**

As a result of the impairment test in accordance with IAS 36 carried out as planned as of September 30, 2022, followed by an update as of December 31, 2023, and the resulting impairment losses, the property, plant and equipment of the Standing Assets business were fully impaired (€552 thousand). The impairment amounts to €58 thousand in the 2023 fiscal year.

As of December 31, 2023, property, plant and equipment includes recognized right-of-use assets of €0 thousand (previous year: €0 thousand) in connection with leased objects that do not meet the definition of investment properties. A detailed list of the right-of-use assets is included in Note 6.21.

6.3 INVESTMENT PROPERTIES

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

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

In the reporting period, measurement losses of €52,532 thousand (previous year: €18,096 thousand) were recorded in the statement of comprehensive income in the item "Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale," which were fully attributable to the line item "Investment properties." In the previous year, the measurement losses in the amount of €15,496 thousand were attributable to investment properties whose fair values were determined based on Level 3 measurements, and in the amount of €2,600 thousand to the line item "Non-current assets held for sale." We refer to Note 6.8.

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

—

in € thousand	
Balance as of 01/01/2022	**286,460**
Subsequent production costs	206
Change in market value	–15,496
Balance as of 12/31/2022	**271,170**
Reclassification from inventories	8,953
Subsequent production costs	10,936
Change in market value	–52,532
Balance as of 12/31/2023	**238,527**

Of the investment properties, properties with a total carrying amount of €238,527 thousand (previous year: €271,170 thousand) were secured by mortgages as of the reporting date.

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

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

—

in € thousand	2023	2022
Rental revenues	7,789	5,035
Revenues from operating costs	1,419	2,541
Revenues from cost charges to others and building cost subsidies	510	11
Administration costs	–4,731	–4,968
(operating costs, maintenance, administration, etc.)	**4,987**	**2,619**
Thereof fair value Level 3	4,987	2,619
Thereof fair value Level 2	0	0

Operating expenses in the amount of €4,731 thousand are attributable to primarily rented properties. The expenses allocable to the vacant parts of the properties are of subordinate importance.

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

The land value was used to determine the fair value of the property at Berliner Allee 53–65 in Augsburg. The property at August-Bebel-Platz 20 in Duisburg was sold in March 2024. Accordingly, the purchase price of €6.8 million (fair value category 1) was used as the market value.

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

—

							2023
Property	**SoHo Mannheim BF 1**	**Blüherpark BA2 Dresden**		**Lilienthalstr. 5–9 Hallbergmoos**	**Rudolf-Diesel-Straße 5, 7 Eschborn**	**August Bebel Platz 20 Duisburg**	**Berliner Allee 53–65 Augsburg**
Type	**Standing asset Residential**	**Refur-bishment Office**	**Parking**	**Standing asset Hotel**	**Standing asset Office**	**Standing asset Shopping center**	**Develop-ment Commercial/ residential**
Rented space (usable area) in sqm	12,374	36,680	5,028	8,279	8,005	11,423	n/a
Vacant space in sqm	12,374	0	5,028	0	1,849	n/a	n/a
Initial vacancy rate in % (based on total space)	100.0	0.0	100.0	0.0	23.1	n/a	n/a
Achievable net basic rent (market rent) p.a. in € thousand (parking space included)	*1,314*	*4,402*	*n/a*	*1,421*	*986*	*n/a*	*n/a*
Achievable net basic rent (market rent) per sqm in €	8.85	10.00	n/a	14.30	10.26	n/a	n/a
Actually achieved net basic rent (contract rent) p.a. in € thousand (parking space included)	*n/a*	*4,402*	*n/a*	*1,421*	*805*	*n/a*	*n/a*
Actually achieved net basic rent (contract rent) per sqm in €	n/a	9.50	n/a	14.30	10.89	n/a	n/a
Fair value in € thousand	46,700	73,100	6,200	20,500	10,200	6,800	99,100
Fair value per sqm of rented space in €	n/a	1,993	1,231	2,476	1,274	595	n/a
Fair value per sqm of land area in €	2,830	3,498	986	2,746	1,962	657	823
Multiplier on market rent (market value: achievable net basic rent)	n/a	16.6	n/a	14.4	10.3	n/a	n/a
Multiplier on contract rent (market value: contractual net basic rent)	n/a	17.5	n/a	14.4	12.7	n/a	n/a
Valuation parameters:							
Average maintenance costs p.a. in €/sqm	9.63	n/a	n/a	7.96	9.44	n/a	n/a
Administrative expenses (in % of achievable rent)	4.0	0.0	n/a	1.5	0.0	n/a	n/a
Operating costs not chargeable (in % of achievable rent)	13.6	0.0	n/a	6.6	9.2	n/a	n/a
Discount rate in %	n/a	6.45	n/a	7.60	6.75	n/a	n/a
Capitalization interest rates in %	2.50	5.95	n/a	6.60	6.25	n/a	n/a
Multiplier in case of resale after ten years	32.5	16.6	n/a	13.2	16.6	n/a	n/a
Incidental acquisition costs upon resale in %	6.25	6.45	n/a	4.75	7.25	n/a	n/a
Land area in sqm	16,500	20,897	6,285	7,466	5,199	10,356	120,472
Net sales value at exit in € thousand	42,764	n/a	n/a	n/a	n/a	6,800	n/a
Cost in € thousand	23,125	n/a	n/a	n/a	n/a	n/a	n/a

—

						2022
Property	**Blüherpark BA2 Dresden**		**Lilienthalstr. 5–9 Hallbergmoos**	**Rudolf-Diesel-Straße 5, 7 Eschborn**	**August Bebel Platz 20 Duisburg**	**Berliner Allee 53–65 Augsburg**
Type	**Refur-bishment Office**	**Parking**	**Standing asset Hotel**	**Standing asset Office**	**Standing asset Shopping center**	**Development Commercial/ residential**
Rented space (usable area) in sqm	38,286	5,028	8,279	8,005	11,423	149,370
Vacant space in sqm	0	5,028	0	2,106	228	149,370
Initial vacancy rate in % (based on total space)	0.0	100.0	0.0	26.3	2.0	100.0
Achievable net basic rent (market rent) p.a. in € thousand (parking space included)	*3,903*	*n/a*	*1,413*	*938*	*849*	*30,087*
Achievable net basic rent (market rent) per sqm in €	8.5	n/a	14.23	9.76	6.2	18.79
Actually achieved net basic rent (contract rent) p.a. in € thousand (parking space included)	*3,903*	*n/a*	*1,413*	*677*	*849*	n/a
Actually achieved net basic rent (contract rent) per sqm in €	8.5	n/a	14.23	9.57	6.3	n/a
Fair value in € thousand	79,900	5,800	24,000	10,600	9,900	141,500
Fair value per sqm of rented space in €	2,087	1,159	2,899	1,324	867	947
Fair value per sqm of land area in €	3,824	923	3,215	2,039	956	1,175
Multiplier on market rent (market value: achievable net basic rent)	20.5	n/a	17.0	11.3	11.7	29.4
Multiplier on contract rent (market value: contractual net basic rent)	20.5	n/a	17.0	15.7	11.7	29.4
Valuation parameters:						
Average maintenance costs p.a. in €/sqm	n/a	n/a	7.96	8.35	5.49	9.34
Administrative expenses (in % of achievable rent)	2.0	n/a	1.5	0.0	1.0	1.6
Operating costs not chargeable (in % of achievable rent)	0.5	n/a	0.5	7.7	11.5	6.7
Discount rate in %	5.75	n/a	7.00	6.75	6.30	n/a
Capitalization interest rates in %	5.25	n/a	6.00	6.25	5.75	3.4
Multiplier in case of resale after ten years	19.0	n/a	16.7	16.0	17.4	26.4
Incidental acquisition costs upon resale in %	4.75	n/a	4.75	7.25	8.50	3.80
Land area in sqm	20,897	6,285	7,466	5,199	10,356	120,472
Net sales value at exit in € thousand	n/a	n/a	n/a	n/a	n/a	795,062
Cost in € thousand	n/a		n/a	n/a	n/a	580,914

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

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

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

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

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

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

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

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

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

—

FAIR VALUES

in € million	2023	2022
Office	10.2	10.1
Shopping center*	6.8	9.9
Residential development	46.7	141.5
Office refurbishment	73.1	85.7
Hotel	20.5	24.0
Total	**157.3**	**271.2**

*FV category 1

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

—

SENSITIVITY ANALYSIS

						12/31/2023
	Construction costs, excluding ancillary construction costs		Discount rate/capitalization rate (for residential/commercial)		Market rent	
in € million	5.0%	–5.0%	–0.25%	0.25%	5.0%	–5.0%
Office	n/a	n/a	0.5	–0.5	0.6	–0.6
Shopping center*	n/a	n/a	n/a	n/a	n/a	n/a
Residential/commercial development	2.1	–2.1	3.9	–3.2	2.0	–2.0
Office refurbishment	n/a	n/a	3.2	–3.0	2.1	–2.2
Hotel	n/a	n/a	0.8	–0.7	0.6	–0.7
Total	**2.1**	**–2.1**	**8.4**	**–7.4**	**5.3**	**–5.5**

*FV category 1

—

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

6.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

—

FINANCIAL INVESTMENTS

in € thousand	Note	12/31/2023	12/31/2022
Interests in associates	(A)	0	0
Balance as of 12/31		**0**	**0**

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

A. ASSOCIATES

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

—

in € thousand	12/31/2023	12/31/2022
Carrying amount of financial investments accounted for using the equity method	0	0
Share of profit	0	0

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

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

6.5 INVENTORIES

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

The Group's inventories as of the reporting date consisted of the capitalized construction costs (including construction period interest) of inventory properties, which were measured entirely at amortized cost in accordance with Note 2.11. Construction period interest of €53,637 thousand (previous year: €42,705 thousand) was capitalized as the cost of inventories in the reporting period; these inventories are attributable to project financings in the basis of individual agreements with external lenders.

Write-downs to the lower net realizable value were recognized for inventories in the amount of €29,663 thousand (previous year: €0 thousand). Moreover, inventories were reduced by €54,748 thousand following the deconsolidation of the Group company SKE Immo Sulzbach GmbH (S.à r.l.) on February 20, 2023.

Accordingly, the total carrying amount of all inventory properties as of December 31, 2023 was €919,906 thousand (previous year: €881,989 thousand). As of the reporting date, inventory properties mainly comprise the companies Projektentwicklung Borussia Köln Deutz Quartiere (€406,231 thousand), Storkower Straße 142–146 PE GmbH (€125,962 thousand), Revaler Straße 32 PE GmbH (€107,527 thousand) as well as Projektentwicklung Borussia Dresden Blüherpark (€105,625 thousand).

Further progress has been made with respect to the building construction activities for the project developments Storkower Straße 140 GmbH, Storkower Str. 142–146 GmbH, Revaler Straße 32 GmbH and SoHo Mannheim. Building construction activities with respect to the project development of Storkower Str. 142-146 GmbH were nearly completed as of the reporting date.

On June 12, 2023, a purchase agreement in form of a forward sale was entered into with a fund for one building plot of the SoHo Mannheim project development, involving a binding construction obligation. The closing happened as of August 15, 2023, upon the due date notice issued by the notary. As the Group subscribed for fund shares in the year under review, the corresponding project company was consolidated together with the project site. Consolidation is required, as there is a controlling influence due to the majority situation and contractual arrangements. There were no effects on the Group's profit or loss.

The city of Hamburg exercised its pre-emptive right in relation to the Hamburg Seevestraße project development at the end of 2022. In the meantime, the terms for the exercise of the pre-emptive right have been agreed upon by the parties by way of a purchase agreement dated February 19, 2024. Please refer to Chapter 7.8.

Inventories with a carrying amount of €412,591 thousand will be realized within the next 12 months.

The development of inventories is presented in the table below:

—

in € thousand	12/31/2023	12/31/2022
Projektentwicklung Borussia Köln	406,231	391,876
Storkower Straße 142–146 PE GmbH	125,962	108,817
Revaler Straße 32 PE GmbH	107,527	85,494
Projektentwicklung Borussia Dresden	105,625	94,228
Storkower 140 PE GmbH	56,472	33,573
SoHo Mannheim	38,665	23,824
Beteiligungsgesellschaft Berlin Heinersdorf GmbH	36,600	37,290
Gateway Hamburg Seevestraße GmbH	35,000	37,257
Gateway Achtzehnte GmbH	6,495	6,309
Projektentwicklung Soest	830	4
Projektentwicklung Burg	321	0
Projektentwicklung Herdorf	107	0
Projektentwicklung Magdeburg	71	0
SKE Immo Sulzbach GmbH (S.à r.l.)	0	54,748
Baufeld 23 Entwicklungs GmbH	0	8,569
Total	**919,906**	**881,989**

Of the inventories, properties with a carrying amount of €918,576 thousand as of the reporting date (previous year: €824,016 thousand) were secured by mortgages.

6.6 TRADE RECEIVABLES AND OTHER ASSETS

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

The trade receivables of €989 thousand (previous year: €2,057 thousand) primarily result from current rent receivables.

Other current assets mainly comprised the following items:

—

OTHER ASSETS

in € thousand	12/31/2023	12/31/2022
Other financial assets		
Loans – at amortized cost	124,886	160,910
thereof to related parties	46,527	126,820
Other receivables – at amortized cost	9,539	6,268
thereof to related parties	8,258	5,033
Equity investments – measured at FVtPL	2,617	2,607
Contract assets	914	1,068
Security deposits	220	135
Total	**138,176**	**170,988**
thereof non-current	64,057	5,946
thereof current	74,119	165,042
Other non-financial assets		
Other assets	63,388	67,351
Value added tax credits	3,797	4,384
Tenant incentives	1,431	2,234
Prepaid expenses	293	222
Total	**68,909**	**74,191**
thereof non-current	1,431	2,234
thereof current	67,478	71,957

The significant decrease in current financial assets is mainly due to recognized loss allowances. As a result of anticipated price losses (Stage 3 expected credit losses) due to observable objective indicators, an impairment was recognized as a loss allowance for the receivables from IMFARR Beteiligungs GmbH, Austria, (€54,359 thousand) and from YN Beteiligungen AG, Switzerland, (€50,373 thousand), with both receivables reported at amortized cost under loans. Please also refer to Notes 4 and 6.19.

In terms of non-current other financial assets, it was primarily the deconsolidation of the Group company SKE Immo Sulzbach GmbH (S.à r.l.) and the receivables from this Company remaining within the Group in the amount of €59,129 thousand that resulted in the increase by €58,111 thousand compared to the previous year. The increase is also due to the accrued interest receivables.

The decline of other non-financial assets by €5,282 thousand is largely attributable to the completed land purchase for the SoHo Mannheim project development and the corresponding reclassification of the recognized entitlement to inventories.

6.7 CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents mainly consisted of overnight bank deposits and amounted to €8,121 thousand as of December 31, 2023 (previous year: €8,951 thousand).

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

6.8 NON-CURRENT ASSETS HELD FOR SALE

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

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

In the reporting period, measurement losses of €52,532 thousand (previous year: measurement loss of €18,096 thousand) were recorded in the statement of comprehensive income in the item "Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale". Of that amount, measurement losses of €0 thousand (previous year: measurement losses of €2,600 thousand) were attributable to non-current assets held for sale. In the previous year, these measurement gains entirely concern the property of Gateway Fünfte GmbH whose fair value was determined based on Level 2 in the fiscal year under review.

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

—

in € thousand	
Balance as of 01/01/2022	**43,800**
Changes in market value	–2,600
Disposal through sale	–41,200
Balance as of 12/31/2022	**0**
Changes in market value	0
Disposal through sale	0
Balance as of 12/31/2023	**0**
Thereof fair value Level 2	**0**
Thereof fair value Level 3	**0**

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

—

in € thousand	2023	2022*
Rental revenues	0	545
Revenues from operating costs	230	426
Revenues from cost charges to others and building cost subsidies	0	110
Administration costs (operating costs, maintenance, administration, etc.)	–251	–1,023
	–21	**58**
Thereof fair value Level 3	–21	58
Thereof fair value Level 2	0	0

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

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

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

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

6.9 EQUITY

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

As of December 31, 2023, the **share capital** remains unchanged at €186,764,040 (previous year: €186,764,040) and is divided into 186,764,040 (previous year: 186,764,040) no-par-value bearer shares with a notional value in the share capital of €1 per share. The following table shows the development of the number of shares outstanding:

—

NUMBER OF SHARES

	2023	2022
Shares outstanding as of January 01	186,764,040	186,764,040
Issue of new shares in connection with a business combination	0	0
Issue of new shares against cash payment	0	0
Balance as of 12/31	186,764,040	186,764,040

At the Annual General Meeting on August 30, 2023, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital until August 29, 2028, by up to €67,914,196 against cash contributions and/or contributions in kind; the subscription rights of the existing shareholders may be disapplied (Authorized Capital 2023/I).

At the ordinary Annual General Meeting on August 21, 2019, the Management Board was also authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital until August 20, 2024, by up to €25,467,824 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 in the amount of the permitted maximum volume of 50% of the Company's share capital (€93,382,020).

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

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

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

—

in € thousand	2023	2022
Opening balance as of January 01	**–389,131**	**–389,131**
Proceeds from the issue of shares	0	0
Costs for the issue of shares	0	0
Reversal of capital reserve	0	0
Other	0	0
Closing balance as of December 31	**–389,131**	**–389,131**

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

—

in € thousand	2023	2022
€0.00 per qualifying share (previous year: €0.00)	0	0

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

—

in € thousand	2023	2022
€0.00 per qualifying share (previous year: €0.00)	0	0

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

6.10 OTHER PROVISIONS

Other provisions are composed of the following:

—

in € thousand	12/31/2023	12/31/2022
Non-current provisions		
	0	**0**
Current provisions		
Other provisions (remaining term < 1 year)	3,881	0
Total	**3,881**	**0**

The increase in other current provisions by €3,881 thousand is entirely attributable to additions for litigation costs in connection with ongoing legal disputes (€381 thousand) as well as the utilization of a guarantee from a bonding insurance (€3,500 thousand). On the basis of contractual arrangements with the related company SNBH, a reimbursement claim of €3,500 thousand was recognized in other financial assets.

6.11 FINANCIAL LIABILITIES

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

Financial liabilities break down as follows:

—

in € thousand	12/31/2023	12/31/2022
Non-current financial liabilities		
Liabilities to banks	20,965	183,318
Liabilities to related parties	0	20,086
Liabilities to third parties	21	110,744
Liabilities to third parties from bonds	98,148	69,693
	119,135	**383,841**
Current financial liabilities		
Liabilities to banks	360,471	158,951
Liabilities to related parties	53,279	1,100
Liabilities to third parties	219,240	72,106
Liabilities to third parties from bonds	177,157	199,863
	810,147	**432,020**

The terms of the non-current financial liabilities in the amount of €119,135 thousand (previous year: €383,841 thousand) are longer than one year. They are collateralized in the amount of €49,442 thousand (previous year: €263,325 thousand) for the benefit of the lender by way of land charges on the properties underlying the financing.

The current financial liabilities have a remaining term of up to 12 months. They primarily include the current portion of the liabilities in connection with the acquisition of properties or the financing of the development projects. Current financial liabilities in the amount of €810,147 thousand (previous year: €432,020 thousand) are collateralized for the benefit of the lenders by way of land charges on the properties underlying the financing in the amount of €718,829 thousand (previous year: €423,250 thousand).

The majority of the loans has variable interest rates. Loans with a remaining value of €390,074 thousand as of December 31, 2023 (previous year: €341,974 thousand) are subject to variable interest rates based on EURIBOR and EONIA. The interest rates in 2023 were between 1.5% and 20.0% for the loans from third parties, the majority of which is collateralized. Some of the loans have variable interest rates. We refer to Note 7.3 for details on the terms of the financial liabilities towards related companies.

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

There were no premiums as of the reporting date. Since the reporting date, interest has no longer accrued on the bond for the acquisition financing of the SoHo Mannheim project. Please also refer to the explanations below.

In the reporting period, negotiations were held with respect to repayment terms and extensions for significant Group financing. The current situation for the Group is as follows:

Going concern risk:

As of the reporting date, the Group has financial liabilities due in the short term in the amount of €810.1 million, mainly relating to the financing arrangements for the projects Borussia Köln, SoHo Mannheim, Dresden Blüherpark, Berlin Heinersdorf, and Augsburg, and a promissory note loan of Gateway Real Estate AG taken out for general financing purposes. Of these liabilities, an amount of €656.8 million was not fully covered by agreed refinancing or planned sales proceeds as of the reporting date. An amount of €119.6 million of the loans was extended as part of the Management Board's negotiations with the individual lenders. As regards extensions of financing arrangements with a volume of €502.1 million that have not yet been agreed, the lenders have sufficient collateral in the form of land charges, which means that the financing arrangements are expected to be extended, in the view of the Company's legal representative, and the realization of the collateral provided will be accepted in exceptional cases. Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation, a material portion of the financing arrangements not extended up to the date of preparation is not extended and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk.

According to the Management Board, the situation of the individual projects and the subsidiaries involved in the respective projects is as follows:

Borussia Köln project development:
After the reporting date, both junior and senior financing agreements for the Cologne project development with a carrying amount of €253,335 thousand were extended initially until June 28, 2024 by way of an agreement dated May 17, 2024 and May 28, 2024. The Company is currently in negotiations and talks regarding a longer-term solution, which should be achieved already in 2024 if possible.

Collateral was provided for the senior financing in the form of pledges of shares and real estate assets secured by land charges with a carrying amount of €406,234 thousand and a letter of comfort of Gateway Real Estate AG towards the lender as regards payment of a maximum amount of €8,000 thousand.

The agreement reached with the senior lender on August 21, 2023, provided for a deferral of the interest due and payable as at June 28, 2023 until September 15, 2023. Interest was paid on September 14, 2023. Furthermore, the agreement provided for a deferral of the obligation to contribute equity capital of €5.0 million until November 30, 2023 and of a further €10.0 million until February 29, 2024. On May 17, 2024 and on May 28, 2024, both financing arrangements were extended initially until June 28, 2024. At the same time, several requirements were agreed which, if they are complied with, allow for an extension for a longer period of one year. In this context, GATEWAY has met its obligations to date and is currently in negotiations for a short to medium-term extension or solution. The milestones required to be reached for an extension beyond June 28, 2024 are being negotiated at the moment. If an extension is not achieved, there is the possibility that the collateral provided for this project is realized, and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

SoHo Mannheim project development:
The bond for the acquisition financing in relation to the SoHo Mannheim project has a carrying amount of €50,256 thousand and was extended on the basis of a repayment agreement. Moreover, a waiver of accrued interest in the amount of €28,288 thousand was part of the agreement. In addition, no additional interest accrues on the financing in the period from the reporting date until the end of the term. The agreement, which was documented in writing on April 29, 2024, also provided for a precise payment plan. The non-compliance with these payment terms would constitute an event of default and would reinstate the previous agreement and also reverse the waiver of interest.

The change in the contractual terms led to a significant modification in the contractual cash flows and thus to the derecognition of the original liability and the recognition of the new, amended liability. In fiscal year 2023, the transaction resulted in a net modification result in a total amount of €31,913 thousand, which is reported as finance income under net finance costs.

Collateral in the form of a guarantee in the amount of €15,000 thousand had already been provided by the Group's ultimate parent company in the past for the extended bond with a carrying amount of now €50,256 thousand. Moreover, the bond is collateralized for the benefit of the lenders by way of land charges on the properties underlying the financing with a total carrying amount of €61,802 thousand as of December 31, 2023. We also refer to the section on events after the reporting date.

Based on an agreement dated September 13, 2024, a new payment plan was agreed, pursuant to which €1,000 thousand was paid in September 2024 and it was agreed to make the remaining repayments in three tranches. A further €2,000 thousand in each case is linked to previously defined sales. The remaining value was extended until July 2025.

Dresden Blüherpark project development:
The acquisition financing for the project development and also for the existing commercial property in Dresden Blüherpark has a nominal loan amount of €87,000 thousand, plus interest of €6,688 thousand payable upon final maturity and a term until October 31, 2024. Real estate assets secured by land charges with a carrying amount of €184,925 thousand and pledges of shares are used as collateral. In light of ongoing discussions with various investors, the Management Board assumes that the loan amounts will be repaid in an orderly manner.

By way of a declaration dated April 28, 2021, the Group's ultimate parent company issued an irrevocable and unconditional guarantee to the creditor of the acquisition financing for unpaid interest and a cost overrun in the amount of €3,500 thousand, which is deemed unlikely. If an extension beyond October 31, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Standing asset in Augsburg:
The investment property in Augsburg is financed by the Group's ultimate parent company until May 31, 2024 through a loan with a nominal amount of currently €41,896 thousand. Real estate assets secured by land charges with a carrying amount of €99,100 thousand are used as collateral. On May 16, 2024, a special repayment of €2,276 thousand was made, reducing the loan amount to a total of €39,620 thousand. Negotiations are currently held with a new financing partner to take over the existing financing and to lend funds for further project development costs. In the agreement dated June 17, 2024, the current lender agreed to extend the existing financ-

ing subject to further payments in the course of the 2024 fiscal year. To that extent, a closing fee of €594 thousand was paid on August 26, 2024 and interest in the amount of €427 thousand was paid on August 29, 2024, which resulted in the repayment date being postponed for the time being to December 31, 2024.

Based on the discussions, it is currently assumed that the existing financing will be extended until the potential new financing partner redeems the loan. If the Group's development is as planned in the 2024 forecast period, it is more likely than not that the special repayments can be made. If an extension beyond December 31, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Berlin Heinersdorf project development:
The senior financing of the Berlin Heinersdorf project development has a nominal loan value of €30,000 thousand and a term until September 30, 2024. Real estate assets secured by land charges with a carrying amount of €36,600 thousand are used as collateral.

In light of ongoing discussions with various investors, the Management Board assumes that the loan will be either extended or restructured. If an extension or a standstill agreement beyond September 30, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements due to the resulting realization of the collateral provided would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Baufeld 23 project development:
As part of the unwinding of the acquisition of the Leipzig project development agreed in the first half of 2023, a standstill agreement applicable until the closing of the sale of the shares was entered into in relation to a financing of the respective project development Baufeld 23 Entwicklungs GmbH in the amount of €7,000 thousand. The financing had been made due and payable before by the lender. Due to the disposal of shares in Baufeld 23 Entwicklungs GmbH and its deconsolidation as of October 31, 2023, the Group had no further obligations as of the reporting date.

Summary:
Overall, there are risks to the continued existence of Gateway Real Estate AG and the Group due to the fact that financing transactions or proceeds from the sale of projects cannot be realized, or cannot be realized on time. However, the failure to extend financing arrangements for individual projects would have no effect on the continuation of the Company as a going concern if seen in isolation. Based on the status of negotiations held and the agreements reached so far, the Management Board currently expects a prolongation and a reorganization of the financing structure to be more likely than not. Accordingly, the consolidated financial statements were prepared on a going concern basis.

Please also refer to the statements in the report on risks and opportunities in the Group management report in section 3.2.2 under the heading "Financing risks" as well as on the description of significant events after the reporting date in section 7.8.

6.12 TRADE PAYABLES AND OTHER PAYABLES

Please refer to Note 2.14 for information on the accounting methods. Trade payables amount to €161,113 thousand in the year under review (previous year: €154,466 thousand). The trade payables mainly refer to the residential project developments of Borussia Köln Deutz Quartiere (€70,277 thousand) and SoHo Mannheim (€21,364 thousand). The item also includes the outstanding purchase price of €52,908 thousand for the shares in the Group company Borussia Development GmbH due from the related company SN Beteiligungen Holding AG, Switzerland. Please also refer to Chapter 7.3 "Related party transactions."

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

—

OTHER FINANCIAL LIABILITIES

in € thousand	12/31/2023	12/31/2022
Contract liabilities	758	135
Liabilities, non-controlling interests	236	754
Security deposits received	210	188
Lease liabilities	170	282
Other	31,097	27,022
thereof to related parties	15,509	14,824
	32,471	**28,381**
thereof non-current	433	1,144
thereof current	32,038	27,237

In the year under review, the contract liabilities include operating costs not yet invoiced and work in progress in relation to a construction project.

The "Other" item mainly comprises a contractual penalty as well as the reversal of the purchase prices already received in a total amount of €20,100 thousand payable to the buyers (in equal parts IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG) in connection with the failed disposal of the three commercial properties in Berlin (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH and Storkower Straße 142–146 PE GmbH).

This item also includes the retention of the purchase price in the amount of €1,500 thousand in connection with a project site acquired in 2020 as well as a liability to Development Partner AG from the still existing reimbursement claim towards the tax authorities in relation to capital gains taxes in the amount of €3,417 thousand.

The "Other" item also comprises guarantees and guarantee commissions in the amount of €5,287 thousand.

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

—

OTHER NON-FINANCIAL LIABILITIES

in € thousand	12/31/2023	12/31/2022
Liabilities for personnel	875	1,032
Deferred income	85	21
VAT liabilities	37	63
Other	717	483
	1,714	**1,599**
thereof non-current	0	0
thereof current	1,714	1,599

The decrease in the item "Liabilities for personnel" mainly results from the reduction of liabilities for vacation by €108 thousand.

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

6.13 DEFERRED TAXES

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

Deferred tax liabilities of €36,937 thousand (previous year: €46,370 thousand) and deferred tax assets of €9,940 thousand (previous year: €10,270 thousand) are presented in the statement of financial position at the reporting date.

DEFERRED TAX ASSETS

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

—

in € thousand	2023	2022
Assets		
Property, plant and equipment	42	53
Non-current assets	68	68
Inventories	8,808	7,737
Other financial assets	0	74
Other non-financial assets	3	26
Liabilities		
Non-current financial liabilities	5	178
Current financial liabilities	652	164
Other current financial liabilities	34	52
Other non-current financial liabilities	17	46
Trade payables	0	5
Tax loss carryforwards	7,565	6,173
Sub-total of deferred tax assets	17,194	14,576
Netting with deferred tax liabilities	–7,254	–4,306
Total	**9,940**	**10,270**

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

No deferred tax assets were recognized in respect of temporary differences amounting to €1,388 thousand (previous year: €1,077 thousand), because it is not probable that a taxable profit against which the deductible temporary differences can be applied will be available in the future. Deferred tax assets totaling €7,565 thousand were recognized as of December 31, 2023 in relation to companies that suffered a tax loss either in the reporting year or the previous year. The recoverability of these deferred tax assets results from taxable temporary differences at the level of the respective Group entity.

Corporate income tax loss carryforwards of €79,956 thousand (previous year: €57,935 thousand) and local trade tax loss carryforwards of €73,390 thousand (previous year: €58,169 thousand) existed within the Group as of the reporting date. No deferred tax assets were recognized for corporate income tax loss carryforwards in the amount of €50,180 thousand (previous year: €34,036 thousand) and local trade tax loss carryforwards of €52,420 thousand (previous year: €40,288 thousand) as their future utilization is not more likely than not. The loss carryforwards can be carried forward without restriction, as a general rule.

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

in € thousand	2023	2022
Assets		
Property, plant and equipment	0	0
Non-current assets	30,277	38,773
Other non-current financial assets	1,639	659
Other non-financial assets	4,248	3,239
Inventories	6,880	6,407
Non-current assets held for sale	0	0
Current assets	0	30
Liabilities		
Non-current financial liabilities	474	0
Current financial liabilities	665	1,542
Other liabilities	8	26
Sub-total of deferred tax liabilities	**44,191**	**50,676**
Netting with deferred tax assets	-7,254	-4,306
Total	**36,937**	**46,370**

The change in the total reduction of deferred tax liabilities (€26,997 thousand) over the previous year (€36,100 thousand) in the amount of €9,103 thousand is recognized through profit or loss.

In accordance with IAS 12.39, no deferred tax liabilities were recognized for differences between the IFRS carrying amounts of shares in subsidiaries and the tax base of these shares (so-called outside basis differences) in the amount of €20,935 thousand (previous year: €29,734 thousand) since these differences will not reverse in the foreseeable future.

6.14 REVENUE

Please refer to Note 2.16 for information on the accounting methods.

The Group generated revenues of €18,765 thousand in the period from January 1 to December 31, 2023 (previous year: €10,331 thousand). GATEWAY mainly generated revenue in the year under review from the rental of inventory properties and investment properties and the provision of services. Operating cost settlements and building subsidies received are other revenue sources. Specifically, revenues break down as follows:

in € thousand	2023	2022
Rental revenues in accordance with IFRS 16		
Rental revenues from investment properties	7,789	4,869
Rental revenues on inventory properties	3,126	580
Rental revenues from sub-letting	6	6
Rental revenues from IFRS 5 properties	0	545
	10,921	**6,000**
Revenue in accordance with IFRS 15		
Revenues from cost charges to others and building cost subsidies	5,110	123
Revenues from operating costs	2,227	2,750
Revenues from operating costs – IFRS 5 properties	230	426
Revenues from the sale of inventory properties	0	0
Revenues from services	2	1,032
Other	275	0
	7,844	**4,331**
thereof over time	2,654	4,207
thereof at a point in time	5,190	124
Total	**18,765**	**10,331**

Of the overall revenues, €7,844 thousand (previous year: €4,331 thousand) fall under the scope of IFRS 15 and €10,921 thousand (previous year: €6,000 thousand) fall under the scope of IFRS 16.

Revenues from services include newly concluded business management agreements. With respect to revenues under the scope of IFRS 15, with the exception of revenues from services, forward sales and operating costs not yet charged, revenue is recognized at a certain point in time. In contrast, revenues related to associates and joint ventures are mainly recognized over time.

The rental revenues on inventory properties and investment properties do not fall under the scope of IFRS 15 and therefore no revenue recognition was carried out over time, but only revenue recognition in the period in which it accrues.

The following table presents information about receivables, contract assets and contract liabilities from contracts with customers.

in € thousand	12/31/2023	12/31/2022
Contract assets	914	1,068
Contract liabilities	758	135

In the year under review, contract assets include operating costs for 2023 not yet charged (€1,357 thousand), reduced by advance payments received for these (€443 thousand). Contract assets are reclassified to receivables when the rights become unconditional. As a rule, this is the case when GATEWAY issues an invoice to its customers.

The contract assets as of December 31, 2023, amount to €914 thousand (previous year: €1,068 thousand) and are reported in the current item "Other financial assets". We refer to Note 6.11.

Contract liabilities amount to €758 thousand as of December 31, 2023 (previous year: €135 thousand) and include, in the year under review, advance payments for operating costs not yet invoiced as well as contract liabilities from service agreements. The contract liabilities are reported in the current item "Other financial liabilities". We refer to Note 6.11.

6.15 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

The changes in inventories of finished goods and work in progress relate to the capitalized production costs for the inventory properties, which include €53,636 thousand (previous year: €42,705 thousands) in capitalized interest on borrowed capital. The major changes in inventories arise from the companies Revaler Straße 32 PE GmbH (€25,318 thousand), Storkower Straße 140 PE GmbH (€24,501 thousand), Storkower Straße 142–146 PE GmbH (€17,146 thousand) as well as from the project developments Dresden Blüherpark Quartiere (€11,428 thousand), Köln Deutz Quartiere (€31,630 thousand) and SoHo Mannheim (€28,443 thousand).

Overall, changes in inventories amount to €142,363 thousand (previous year: €112,420 thousand).

—

in € thousand	2023	2022
Increase in inventory due to purchase of properties, construction activity and capitalization of interest on borrowed capital	142,363	112,420
	142,363	**112,420**

6.16 RAW MATERIALS AND CONSUMABLES USED

The reported raw materials and consumables used primarily comprise the acquisition costs for land, and the production costs for the inventory properties. This item breaks down in detail as follows:

—

in € thousand	2023	2022
Land	13,130	5,224
Construction costs	52,761	44,985
Project development costs	44,141	12,422
Other ancillary construction costs	8,900	9,325
Administration costs	7,058	7,469
	125,990	**79,425**

The significant increase in expenses for land is primarily attributable to a land purchase made by the SoHo Mannheim project development (€7,301 thousand) as well as to incidental acquisition costs of the Cologne project development (€4,526 thousand).

The increase in expenses for construction costs is primarily attributable to increased construction activities in relation to the development projects Revaler Straße 32 PE GmbH (€18,438 thousand), Storkower Straße 142–146 PE GmbH & Co. KG (€15,440 thousand) and SoHo Mannheim (€16,375 thousand).

The significant increase in project development costs in the 2023 fiscal year is mainly the result of write-downs to the lower net realizable value in relation to inventories in the amount of €29,663 thousand (previous year: €0 thousand).

6.17 EMPLOYEE BENEFITS EXPENSE

Besides the members of the Management Board, the Group had 26 (previous year: 25) employees as of the end of the reporting period and 28.00 (previous year: 27.25) employees on average for the year. The employee benefits expense incurred are broken down as follows:

—

in € thousand	2023	2022
Wages and salaries	4,689	4,746
Valuable benefits and contributions to capital formation	16	7
Social security contributions and pensions	512	415
	5,217	**5,168**

43.9% of the employer's share of statutory social insurance consist of contributions to the statutory pension insurance system.

6.18 OTHER OPERATING INCOME AND EXPENSES

Other operating income includes the following amounts:

—

in € thousand	2023	2022
Capitalization of interest	4,586	12,865
Recourse claim for utilization of guarantee	3,500	0
Income from the reduction of liabilities	670	247
Income from insurance benefits	348	355
Other prior-period income	78	95
Other	1,113	642
	10,295	**14,204**

In the year under review, other operating income includes the capitalization of interest resulting from the recognized entitlement to transfer real estate from a land purchase agreement for an amount of €4,586 thousand that has been certificated by a notary public, but has not yet been fully executed; this entitlement is reported under other non-financial assets.

The company was held liable by an external third party as part of a guarantee assumed in the amount of €3.5 million based on a contractual arrangement with the related company SNBH. A provision of an equivalent amount was recognized through profit or loss under other operating expenses. There is an equivalent recourse claim in the same amount as a result of the contractual arrangement with the related company SNBH. The recourse claim was recognized through profit or loss in other operating income and reported under other financial assets. Please also refer to Note 6.19.

Other operating expenses include the following amounts:

—

in € thousand	2023	2022
Specific valuation allowances and bad debt losses	105,090	284
Utilization of guarantee	3,500	0
Prior-period expenses	3,289	257
Legal and consulting expenses	2,398	1,756
Deconsolidation expense	1,257	0
Accounting, financial statements and auditing expenses	616	929
Non-deductible input tax	546	417
Expenses for insurance, premiums and dues	311	610
Other tax expenses	243	292
Travel expenses	236	252
IT expenses	226	189
Selling expenses	182	1,223
Remuneration of the Supervisory Board	130	124
Payment transaction costs and other financing expenses	70	916
Other	2,553	1,385
	120,647	**8,634**

As a result of objective indicators for further impairment, loans reported as receivables at amortized cost were impaired by a total of €104,953 thousand. Please also refer to Chapter 4 and 6.19.

Selling expenses include property-related selling expenses in the amount of €0 thousand (previous year: €662 thousand), advertising expenses in the amount of €137 thousand (previous year: €112 thousand), and agency fees of €45 thousand (previous year: €448 thousand). The item “Other” includes prior-period reductions of revenues in the amount of €1,222 thousand (previous year: €0 thousand) from sales revenue realized in the previous year in connection with business management agreements.

6.19 NET FINANCE COSTS

Net finance costs can be broken down as follows:

—

in € thousand	2023	2022
Finance income	12,408	8,340
Net modification result	31,913	0
Finance costs	–82,888	–60,584
Interest expenses for leases	–13	–15
Third party profit or loss shares	0	–13
	–38,580	**–52,272**

Finance income mainly results from the origination of debt to related companies of the Group. Please refer to Note 7.3 for details on these loans.

In contrast, the finance costs predominantly include interest on borrowings to finance the development projects. An amount of €53,637 thousand (previous year: €42,705 thousand) of these finance costs was capitalized in the reporting period (see Note 6.15).

The change in the contractual terms for the acquisition financing of the SoHo Mannheim project development, which is reported under non-current financial liabilities, led to a significant modification in the contractual cash flows and thus to the derecognition of the original liability and the recognition of the new, amended liability. In fiscal year 2023, the transaction resulted in total income of €31,913 thousand (net modification result), which is reported as finance income under net finance costs.

6.20 INCOME TAX EXPENSE

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

Companies resident in Germany with the legal form of a corporation are subject to corporate income tax of 15%, the solidarity surtax of 5.5% of the standard corporate income tax, and local trade tax, the amount of which depends on locally specific assessment rates. Commercially operating or predominantly commercial enterprises with the legal form of an unincorporated partnership are only subject to the local trade tax. For purposes of taxation based on corporate income tax, the tax result is directly attributed to the shareholder.

The expected nominal income tax rate for the Group's parent company Gateway Real Estate AG in 2023 is 30.175% (previous year: 30.175%) and is calculated as follows:

in %	2023	2022
Corporate income tax	15.0	15.0
Solidarity surcharge	0.825	0.825
Local trade tax rate	14.35	14.35
Tax rate	**30.175**	**30.175**

Income taxes are calculated on the basis of the tax regulations applicable to each Company. The tax expense/income presented in the statement of comprehensive income mainly consists of deferred income taxes:

in € thousand	2023	2022
Current income taxes	1,835	2,998
Deferred income taxes	–12,082	–5,222
For temporary differences	–7,842	–436
For tax loss carryforwards	–1,392	–2,180
From consolidation	–2,848	–2,606
Tax expense/income	**-10,247**	**–2,224**

The current income taxes for the 2023 fiscal year were influenced by tax income from prior years in the amount of €33 thousand (previous year: tax income of €273 thousand). The deferred tax income of €12,082 thousand (previous year: €5,222 thousand) is composed of income from the change in deferred tax assets in respect of loss carryforwards in the amount of €1,392 thousand (previous year: €2,180 thousand), the decrease in netted deferred tax liabilities in respect of temporary differences in the amount of €7,842 thousand (previous year: increase of the balance by €436 thousand), and a deferred tax income in respect of consolidation issues in the amount of €2,848 thousand (previous year: €2,606 thousand).

A reconciliation of tax expenses/income is presented in the table below:

in € thousand	2023	2022
Profit/loss before tax	–181,456	–33,891
Tax rate in %	30,175	30,175
Expected tax expense	–54,754	–10,227
Tax effects on		
Tax rate differences	5,243	2,404
Change of permanent differences	–1,590	2,127
Taxes prior years	–320	917
Tax-exempt income and non-tax-deductible expenses	34,920	–101
Local trade tax corrections	1,391	1,712
Change in the non-recognition of deferred tax assets in respect of loss carryforwards and use of non-recoverable loss carryforwards from prior years	4,277	1,134
Changes in the non-recognition of deferred tax assets in respect of asset differences	311	–25
Other	275	–165
Actual tax expenses (+) or tax income (–)	**–10,247**	**–2,224**

Based on the actual income taxes, the effective tax rate for the fiscal year is 5.6% (previous year: 6.6%).

The tax rate differences concern, besides different local tax rates of various Group companies, primarily the fact that domestic income of foreign corporations is exempt from trade taxes. The change in permanent differences includes in particular a goodwill impairment which did not result in any income from deferred taxes. The increase in tax-exempt income and non-tax-deductible expenses is primarily due to unrecognized loss allowances for receivables. The local trade tax corrections relate in particular to the addition of finance costs at the level of individual companies.

6.21 LEASES

Please refer to Note 2.18 for information on the accounting methods.

A. LEASES AS LESSEE (IFRS 16)

GATEWAY rents office space in the locations of Frankfurt am Main and Berlin. The terms of the lease agreements range from one to five years. Several of the underlying rental payments are linked to price indices.

Furthermore, the Group has sublet a part of the rented office space in Berlin to Nokera Construction GmbH. For more information, please refer to Note 7.3 “Material transactions with related parties.” The sublease agreement was entered into on February 1, 2021. The sublease was classified as an operating lease from the lessor’s perspective and the lease payments were recognized as income.

GATEWAY has leased one motor vehicle. The term of the lease agreements for the motor vehicle is three years. There are no extension options and the lease agreement contains fixed lease payments.

GATEWAY also rents a part of the IT equipment in use. If the underlying contractual relationships are not classified as short-term leases or as a low-value asset, right-of-use assets and lease liabilities are recognized. The contractual term of printers and multi-mode devices is five years and the lease agreement contains fixed lease payments.

Information about leases with the Group as lessee is presented in the following.

a) Right-of-use assets

Right-of-use assets that do not meet the definition of investment properties are presented as part of property, plant and equipment (see Note 6.2).

—

in € thousand	Plant and machinery	Plant and machinery	Operating and office equipment	Total
Balance as of 01/01/2022	**8**	**178**	**7**	**193**
Depreciation in the fiscal year	7	178	4	189
Additions to right-of-use assets	0	0	0	0
Disposals of right-of-use assets	0	0	0	0
Impairment losses	1	0	3	4
Balance as of 12/31/2022	**0**	**0**	**0**	**0**
Depreciation in the fiscal year	0	0	0	0
Additions to right-of-use assets	0	0	0	0
Disposals of right-of-use assets	0	0	0	0
Impairment losses	0	0	0	0
Balance as of 12/31/2023	**0**	**0**	**0**	**0**

The right-of-use asset for the office building in Frankfurt am Main was fully written off due to the relocation of management to Berlin in 2021 and the associated lack of benefit for GATEWAY as well as the limited other alternative uses. However, the lease liability remains as before.

b) Amounts recognized in profit or loss

—

in € thousand	2023	2022
Leases in accordance with IFRS 16		
Interest expenses for lease liabilities	–13	–15
Income from subleases of right-of-use assets, presented in revenue	6	6
Expenses for short-term leases	–544	–6
Expenses for leases of low-value assets	0	0
Depreciation of right-of-use assets	–36	–11

c) Amounts recognized in the cash flow statement

—

in € thousand	2023	2022
Principal payments for leases	–149	–333
Interest payments for leases	–7	–15
Total cash outflows for leases	**–156**	**–348**

d) Extension options
As of the reporting date, there are no lease agreements subject to extension options the exercise of which has a material effect on lease liabilities.

e) Future leases
The Group did not enter into a lease after the end of the reporting period.

B. LEASES AS LESSOR (IFRS 16)
GATEWAY acts as the lessor within the context of properties held as inventory properties and investment properties. In case of the inventory properties, this refers to the lease termination phase and lease agreements already entered into in relation to buildings under construction. Note 6.3 includes information on investment properties. The Group classifies these leases as operating leases since not substantially all the risks and rewards of ownership are transferred.

In the reporting period, the Group recorded lease income in the amount of €10,921 thousand (previous year: €6,000 thousand).

The following table presents a maturity analysis of future lease receivables and shows the undiscounted lease payments to be received after the reporting date.

—

in € thousand	2023	2022
Operating leases in accordance with IFRS 16		
Less than one year	10,725	3,670
One to two years	6,235	2,977
Two to three years	6,109	1,785
Three to four years	5,824	1,652
Four to five years	5,781	1,395
More than five years	25,906	9,135
Total	**60,580**	**20,615**

The Group has been taking comprehensive measures to minimize the risks arising from the rented properties. Initially, GATEWAY seeks to minimize the risk of loss of rental income through a prudent selection of contracting parties. In addition, the usual hedging instruments are used, such as rent deposits or guarantees. Potential bad debts are addressed through a structured receivables management process. With regard to the risk of loss of rental income, the Management Board assumes a possible probability of occurrence and, if it does occur, expects a low financial impact. Please refer to Chapter 3.2.1 of the Group management report.

7. OTHER DISCLOSURES

7.1 EARNINGS PER SHARE

The basic earnings per share are as follows:

in €	2023	2022
Earnings per share	**–0.92**	**–0.17**

As in the prior year, there were no potentially diluting equity instruments such as stock options at the reporting date. Basic earnings per share are calculated as the quotient of the profit attributable to the shareholders of the parent company divided by the average number of shares outstanding during the fiscal year as follows:

A. ATTRIBUTION OF PROFIT TO COMMON SHAREHOLDERS (BASIC)

in € thousand	2023	2022
Profit attributable to owners of the parent company	–165,939	–32,622
Profit attributable to holders of common shares	–165,939	–32,622

The average number of shares is calculated as follows:

B. WEIGHTED AVERAGE OF COMMON SHARES (BASIC)

in thousands of shares	2023	2022
Common shares outstanding as of January 01	186,764	186,764
Common shares issued in connection with a capital increase in April 2019	0	0
Common shares outstanding as of December 31	186,764	186,764
Weighted average number of common shares as of December 31	**186,764**	**186,764**

7.2 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As of December 31, 2023, the Group has contingent liabilities with respect to order commitments in the amount of €43,461 thousand.

Contingencies generally occur in the form of interest guarantees, rent deposit guarantees, cost overrun guarantees, comfort letters, partial releases from liability of co-shareholders and bank guarantees.

The following section is a description of the contingencies existing in the year under review:
From rental guarantees
In the context of the rental agreement for office space in the object The Squaire, Am Flughafen, 60549 Frankfurt am Main, Gateway Real Estate AG, as tenant, committed to the landlord to provide a rental security deposit in the form of a bank guarantee in the amount of €57 thousand. For this purpose, the guaranteeing bank granted to Gateway Real Estate AG a guarantee credit in the corresponding amount.

From guarantees
Gateway Real Estate AG and PRS Family Trust GmbH had purchased a portfolio of three commercial properties in the past as part of a joint venture. The purchase of one of these properties was financed via Raiffeisenbank Höchberg eG. The borrower of Raiffeisenbank Höchberg eG is solely PRS Family Trust GmbH. However, Gateway Real Estate issued a guarantee in the amount of €8.5 million to Raiffeisenbank Höchberg eG. At the same time, PRS Family Trust GmbH issued a letter of comfort dated December 28, 2023, in which it agreed to indemnify GATEWAY against any utilization of up to an amount of €8.5 million. 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.)
The order commitment for investment projects amounts to €43,461 thousand (previous year: €88,313 thousand). Realization is expected to occur in the following year.

In the fiscal year 2023, right-of-use assets and lease liabilities were accounted for in accordance with IFRS 16. We refer to Notes 6.20 and 2.2. In addition, there were the following commitments and contingencies:

Unwinding of the acquisition of the Leipzig project development
The rescission of the purchase agreement with IMFARR Beteiligungs GmbH ("IMFARR") and SNBH on the acquisition of their shares (IMFARR 50% each, SNBH 39.9% each, together 89.9% each) in Virtus Sechsundzwanzig Beteiligungs GmbH and Baufeld 23 Entwicklungs GmbH, declared by the Company on November 1, 2022 and again on November 30, 2022, has been confirmed in the meantime by SNBH and IMFARR in an agreement dated June 21, 2023, waiving any claims for damages. In the process, the share purchase agreement of the project company Baufeld 23 Entwicklungs GmbH, which has already been performed, was also re-transferred in accordance with the share purchase and assignment agreement upon payment of the purchase price on October 31, 2023 (also see Chapter 7.3 Related party transactions). The originally planned as-

sumption of the proportionate share in the net liability from loans with a nominal value of approximately €255.0 million, plus interest accrued, no longer applies based on the rescission performed in the year under review.

Pledge of shares in SKE Immo Sulzbach GmbH
In the previous year, liens on the shares and receivables relating to the wholly-owned subsidiary SKE Immo Sulzbach GmbH, Luxembourg, were created in connection with the abovementioned acquisition in Leipzig to collateralize loan liabilities in the amount of €50.0 million.

The voting rights attached to the shares were eventually transferred to the creditors in the first half of 2023; the previously fully-consolidated company was deconsolidated on February 20, 2023. Deconsolidation did not have any effects on the Group's profit or loss. The amount of collateral has now been limited by the creditors to €25.0 million by way of a letter dated June 21, 2023.

Letter of comfort for the sale of a project development
The Company has issued a letter of comfort as part of a land purchase agreement that was concluded by a fully consolidated project company in previous years. The objective of this agreement was to secure certain rights of the buyer, including in the event of a (justified) withdrawal. Delays in the construction process and the necessary supply chains caused by the coronavirus pandemic, and the buyer's own behavior in fact delayed the completion of the property. In the process, the buyer, who had already formally become the registered owner of the property in the course of the execution of the land purchase agreement, declared its withdrawal from the purchase agreement despite the fact that the property was almost complete, and therefore expected that the purchase agreement be rescinded. In the event of the letter of comfort being utilized, the merits of which are contested already in substance, the amount of damages would result from the difference between the real value of the property and the purchase price installments already paid by the buyer.

7.3 MATERIAL TRANSACTIONS WITH RELATED PARTIES

A. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

Since May 7, 2020, Norbert Ketterer personally is the controlling majority shareholder and the controlling company within the meaning of Section 312 AktG.

According to the most recent voting rights notification dated June 6, 2023, Norbert Ketterer holds 66.24% in Gateway Real Estate AG's share capital. Therefore, Norbert Ketterer is the main shareholder within the meaning of Section 327a (1) sentence 1 AktG.

B. RELATED PARTY TRANSACTIONS

The Group has significant relations to other related parties. Above all, financing via other related companies is a key source of financing.

In this context, an important business partner is SN Beteiligungen Holding AG, Switzerland, which has to be classified as a related company as it is also controlled by Norbert Ketterer.

In addition, there is a comprehensive relationship with the Swiss company YN Beteiligungen Holding AG, which mainly results from the sales transactions of the Development Partner portfolio or the joint acquisition of Group companies. YN Beteiligungen Holding AG, Switzerland, is a company controlled by Yannick Patrick Heller. In accordance with IAS 24, Mr. Heller can be considered a related party to the majority shareholder or Chairman of the Supervisory Board, respectively.

In connection with the construction activities, the Group commissions subsidiaries of Nokera AG, Rueschlikon, to provide planning and civil engineering activities. The companies are classified as related companies as they are also controlled by Norbert Ketterer.

In accordance with IAS 24, the Group thus also reports transactions between Norbert Ketterer and related natural persons and their family members. Related persons are also defined as members of the Management Board and the Supervisory Board as well as their family members.

C. COMPENSATION OF MEMBERS OF KEY MANAGEMENT PERSONNEL

The members of the Supervisory Board and the Management Board of GATEWAY are the key management personnel within the meaning of IAS 24.9. The compensation of the active members of the Management Board comprises:

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in € thousand	2023	2022
Short-term benefits	1,414	1,416
	1,414	**1,416**

The benefits exclusively refer to non-performance-related compensation components and include, in terms of the Management Board compensation, a fixed compensation as well as fringe benefits. As in the comparative period, the members of the Management Board were not granted any advances or loans in the reporting period.

The members of the Supervisory Board exclusively receive a fixed compensation and received a compensation of a total of €130 thousand (previous year: €130 thousand) in the current fiscal year.

The members of the Supervisory Board were not granted any advances or loans in the reporting period. For further information, we refer to the remuneration report.

D. TRANSACTIONS BETWEEN THE GROUP AND YN BETEILIGUNGEN HOLDING AG

Disposal of shares in related companies

Based on share purchase agreements dated July 25, 2019, a stake of 5.1% each in Gateway Vierte GmbH and Gateway Fünfte GmbH, respectively, was sold to the related company YN Beteiligung Holding AG, Switzerland. The purchase prices of €0.8 million and €1.8 million were initially deferred. The current interest rate is 12.12%.

Under a repurchase agreement dated February 22, 2023, Gateway Real Estate AG repurchased the 5.1% shares in Gateway Fünfte GmbH from YN Beteiligungen Holding AG by offsetting the purchase price receivables, which resulted in a reduction of the purchase price receivable from 2019 by €0.6 million. The current interest rate is 12.12%.

By way of a share purchase agreement dated December 18, 2020, Gateway Real Estate AG acquired a further 39.9% of the shares in Duisburg EKZ 20 Objekt GmbH, in addition to the 50% of the shares already held, and acquired a receivable of €0.5 million from the new minority shareholder YN Beteiligungen AG, Switzerland, as part of the purchase price settlement for 10.1% of the shares. This receivable remains non-interest bearing.

In connection with the final settlement of standing asset portfolios sold in 2019, receivables subsequently arose in the reporting year in relation to the minority interest of 5.1% of YN Beteiligungen AG, Switzerland, in the amount of €67,711.

Accordingly, the Group has the following partially interest-bearing receivables from YN Beteiligungen Holding AG. As in the previous year, no collateral was provided for these loans. The loan receivables are composed of as follows as of December 31, 2023, taking into account an impairment of 85%:

—

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
Gateway Real Estate AG, Frankfurt am Main						
12/31/2023	YN Beteiligungen Holding AG	68	0	10	0	12/31/2023
01/01/2021	YN Beteiligungen Holding AG	465	0	70	465	12/31/2023
07/25/2019	YN Beteiligungen Holding AG	1,783	12,12	279	2,303	02/22/2023
07/25/2019	YN Beteiligungen Holding AG	779	12,12	165	1,004	12/31/2023
Total		**3,095**		**524**	**3,772**	

Disposal of the Commercial Properties Development business area

Gateway Real Estate sold 50% of its shares in Development Partner AG (in the meantime renamed Development Partner GmbH, Duesseldorf) to YN Beteiligungen Holding AG, Switzerland, by way of a share purchase and transfer agreement dated February 3, 2021. A portion of the purchase price due in the amount of €28,047 thousand was deferred until March 31, 2022 and bore interest at a rate of 4.25%. These have been deferred since April 1, 2022. The default rate amounts to 8.5% as specified in the purchase agreement.

Apart from the above-mentioned receivables from the share purchase, receivables also exist in relation to the remaining loans in the amount of €71.7 million to Development Partner GmbH, Duesseldorf, and to its subsidiaries set out below.

Following the filing for insolvency of Development Partner GmbH, Duesseldorf, in November 2023, the two purchasers – YN Beteiligungen Holding AG, Switzerland, and IMFARR Beteiligungs GmbH, Austria – each accede to half of the existing loan agreements on the basis of contractual arrangements included in the share purchase and transfer agreement dated February 3, 2021, as part of a pro rata assumption of liabilities.

As a result, only the proportionate amount of loan receivables from YN is shown under related companies. The portion of receivables attributable to IMFARR was reclassified and is now reported as loan receivables from third parties.

Credit risks are elevated in this context following the currently tight situation on the market for properties and project developments. In line with the objective indicators for expected impairment (Stage 3 expected credit losses), the receivables from YN Beteiligungen AG, reported under loans carried at amortized cost, were also impaired as a matter of precaution by an amount of €50,373 thousand.

The loan receivables resulting from YN's accession are composed of as follows as of December 31, 2023, taking into account impairment of 85%:

—

Date of contract	Borrower/ related company	Original borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
SN Beteiligungen Holding AG, Schweiz							
03/16/2021	YN Beteiligungen Holding AG	YN Beteiligungen Holding AG	28,037	8.50	5,058	29,007	12/31/2023
01/13/2020	YN Beteiligungen Holding AG	Development Partner AG, Duesseldorf	4,024	4.25	705	9,060	12/31/2023
05/13/2019	YN Beteiligungen Holding AG	Development Partner AG, Duesseldorf	480	2.00	79	1,035	12/31/2023
12/13/2021	YN Beteiligungen Holding AG	Development Partner AG, Duesseldorf	5,400	4.25	880	11,278	12/31/2023
08/18/2021	YN Beteiligungen Holding AG	Development Partner AG, Duesseldorf	3,900	4.25	642	8,202	12/31/2023
01/01/2020	YN Beteiligungen Holding AG	Development Partner AG, Duesseldorf	6,577	4.25	1,154	14,832	12/31/2023
01/01/2021	YN Beteiligungen Holding AG	Development Partner AG, Duesseldorf	2,804	4.25	475	7,153	12/31/2023
01/13/2020	YN Beteiligungen Holding AG	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	4,250	4.25	745	9,571	12/31/2023
09/18/2020	YN Beteiligungen Holding AG	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	268	4.25	46	584	12/31/2023
01/28/2020	YN Beteiligungen Holding AG	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	25	4.25	4	56	12/31/2023
09/27/2019	YN Beteiligungen Holding AG	Projektentwicklung Campus Park München, Duesseldorf	588	4.25	117	1,512	12/31/2023
10/09/2019	YN Beteiligungen Holding AG	Projektentwicklung Campus Park München, Duesseldorf	1,190	4.25	204	2,617	12/31/2023
05/17/2019	YN Beteiligungen Holding AG	Projektentwicklung Technologiecampus Großraum Stuttgart GmbH, Duesseldorf	1,990	2.00	329	4,309	12/31/2023
Total			**59,533**		**10,438**	**99,216**	

In addition, there is a liability to DP AG resulting from the still existing reimbursement claim towards the tax authorities in relation to capital gains taxes in the amount of €3.4 million.

Due to the fact that the compensation of net profit for the period from January 1 to February 28, 2021 was contractually agreed between YN Beteiligungen Holding AG and the additional buyer, there is a receivable from the buyers, which they owe in equal parts.

Moreover, advance payments of €2 million was already made by YN Beteiligungen Holding AG as of the closing date for the originally planned sale of the shares in the three commercial properties development companies in Berlin. Due to the reversal of the sale as a result of the lack of shareholder approval, these advance payments are now reported as other financial liabilities. Furthermore, 50% of the associated contractual penalty of €16.0 million, which was recorded as a liability, is also attributable to YN Beteiligungen Holding AG, Switzerland, and will also be reported under other financial liabilities.

There is an offsetting situation for the abovementioned liabilities, so that 50% each are offset against the impaired receivables.

E. TRANSACTIONS BETWEEN THE GROUP AND SN BETEILIGUNGEN HOLDING AG

Acquisition of Borussia Development GmbH

Based on a share purchase agreement dated February 17, 2021, all of the shares in Borussia Development GmbH (previously Gerch Invest GmbH) were acquired from the related company SN Beteiligungen Holding AG, Switzerland.

The agreed purchase price amounted to €70 million. As of December 31, 2023, the outstanding purchase price liability of Gateway Real Estate AG to SN Beteiligung Holding AG, Switzerland, for the acquisition has a carrying amount of €46.8 million, plus interest in the amount of €6.1 million.

The outstanding purchase price was deferred until December 31, 2024.

—

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
SN Beteiligungen Holding AG, Switzerland						
02/18/2021	Gateway Real Estate AG, Frankfurt am Main	56,000	4.25	52,908	50,919	12/31/2024
Total		**56,000**		**52,908**	**50,919**	

The following project-related loan liabilities due to the related company SN Beteiligungen Holding AG, Switzerland, were also assumed in connection with the acquisition of Borussia Development GmbH from the related company SN Beteiligungen Holding AG, Switzerland:

—

Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
Borussia Development GmbH, Duesseldorf	16,048	10.00	21,692	20,086	12/31/2024
Total	**16,048**		**21,692**	**20,086**	

These project financings are passed through to the respective project companies at an interest rate of 10.5%.

Moreover, the project financing for the Cavallo Duesseldorf project (which was already redeemed in 2021 after offsetting loan receivables and loan liabilities) was passed through to the non-Group companies Borussia Düsseldorf Cavallo 1 UG haftungsbeschränkt, Duesseldorf, and Borussia Düsseldorf Cavallo 2 UG haftungsbeschränkt, Duesseldorf, at an interest rate of 10.5%. The loan receivable remaining after offsetting on December 31, 2021, amounts to €1.94 million as of December 31, 2023. Both companies are controlled by Development Partner S.à r.l., Luxembourg, and are therefore classified as related parties.

The outstanding loan receivables of Borussia Development GmbH, Duesseldorf, due from the two companies are broken down as follows as of December 31, 2023:

—

Borrower	Project	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
Borussia Cavallo 1 UG, Duesseldorf	Cavallo Duesseldorf	146	10.50	1,329	1,314	12/31/2023
Borussia Cavallo 2 UG, Duesseldorf	Cavallo Duesseldorf	68	10.50	615	608	12/31/2023
Total		**214**		**1,944**	**1,922**	

Acquisition of Leipzig 416
On July 8, 2021, the Company acquired a plot of land in Leipzig, primarily for residential development purposes. To this end, the Company concluded a purchase agreement on the same date with IMFARR Beteiligungs GmbH and SN Beteiligungen Holding AG, Switzerland, for the acquisition of their shares (IMFARR Beteiligungs GmbH 50% each, SN Beteiligungen Holding AG 39.9% each, together 89.9% each) in Virtus Sechsundzwanzig Beteiligungs GmbH and Baufeld 23 Entwicklungs GmbH. The purchase price amounts to around €54,000, including the concurrent acquisition of the proportionate loan liabilities in the amount of approximately €210 million. The acquisition of Baufeld 23 Entwicklungs GmbH was completed as of April 19, 2022. In contrast, the closing of the purchase of shares in Virtus Sechsundzwanzig Beteiligungs GmbH initially remained subject to conditions precedent and was scheduled for November 2022.

Gateway Real Estate AG withdrew from the agreement to acquire shares in Virtus Sechsundzwanzig Beteiligungs GmbH by letters dated November 3, 2022 and November 20, 2022. Based on an agreement dated June 21, 2023, the rescission was confirmed by SNBH and IMFARR, waiving any claims for damages.

The share purchase agreement of the project company Baufeld 23 Entwicklungs GmbH, which has been performed already, was also re-transferred in this context as of October 31, 2023, based on the share purchase and assignment agreement dated June 30, 2023.

In the context of the abovementioned project acquisition, Gateway Real Estate AG, for its part, granted loans to the company to be acquired and its subsidiaries in the previous years. The carrying amounts of the continuing borrowings as of December 31, 2023 are as follows:

—

Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
Leipzig 416 GmbH	11,807	4.25	12,818	12,369	12/31/2024
Leipzig 416 Management GmbH	8,729	4.25	9,506	9,070	12/31/2024
Virtus 26 Beteiligungs GmbH	925	4.25	1,023	983	12/31/2023
Total	**21,461**		**23,347**	**22,422**	

In addition, Gateway Real Estate AG assumed a liability from Leipzig 416 GmbH in the amount of €1.875 million, which resulted in a corresponding increase of the receivable from Leipzig 416 GmbH.

Other loan relationships
Further loan relationships with SN Beteiligungen Holding AG exist, primarily in the project finance area. The following table includes material information for each loan taken out. As in the previous year, no collateral was provided for these loans.

—

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
SN Beteiligungen Holding AG, Switzerland						
12/28/2022	Gateway Real Estate AG, Frankfurt am Main	5,140	4.25	5,296	1,100	12/31/2024
02/10/2023	Gateway Real Estate AG, Frankfurt am Main	7,658	4.25	7,947	0	12/31/2024
02/27/2023	Gateway Real Estate AG, Frankfurt am Main	1,000	4.25	1,036	0	12/31/2024
03/02/2023	Gateway Real Estate AG, Frankfurt am Main	1,000	4.25	1,036	0	12/31/2024
03/07/2023	Gateway Real Estate AG, Frankfurt am Main	9,975	4.25	10,211	0	12/31/2024
03/17/2023	Gateway Real Estate AG, Frankfurt am Main	2,000	4.25	2,067	0	12/31/2024
04/05/2023	Gateway Real Estate AG, Frankfurt am Main	3,875	4.25	3,996	0	12/31/2024
Total		**30,648**		**31,589**	**1,100**	

F. TRANSACTIONS BETWEEN THE COMPANY AND NOKERA CONSTRUCTION GMBH

General contractor agreement regarding civil engineering activities for SoHo Mannheim project development

GATEWAY is developing a property project in Mannheim via its subsidiary S8 Chelsea Quartier GmbH & Co. KG ("S8"). For this purpose, S8 entered into a general contractor agreement with NOKERA Construction GmbH ("NOKERA") for the turnkey construction of 14 residential buildings covering approx. 16,000 sqm of floor space (aboveground). The upper floor levels are being build based on a serial hybrid timber construction method. NOKERA receives a lump-sum price in the mid tens of millions of euros for services to be performed as contractually agreed. In line with work provided to date, provisions were recognized in the reporting year in the amount of €17.7 million.

Sublease of office premises of Gateway Real Estate AG, Berlin

Gateway Real Estate AG leases office floor space to Nokera Construction GmbH at a monthly rent of €833.00, based on a term until December 31, 2024.

G. TRANSACTIONS BETWEEN THE COMPANY AND NOKERA PLANNING GMBH

Planning services

Nokera Planning GmbH has to be classified as a related company as it is also controlled by Norbert Ketterer.

Nokera Planning GmbH (until December 31, 2020: Fuchshuber Architekten, Leipzig) provided planning services for project companies of GATEWAY in the year under review. The company has to be classified as a related company as it is controlled by the Chairman of the Supervisory Board. The scope of the planning assignments already awarded in 2021 comprises work stages (Leistungsphasen, LP) 1 to 4 as defined in the German Regulation on the Fee Structure for Architects and Engineers (Honorarordnung für Architekten und Ingenieure, HOAI). The agreed fee was €25 per square meter of eligible rented space.

In the year under review, payments for invoices for an amount of €173 thousand were received and recognized in inventories against the item "Changes in inventories of finished foods and work in progress," as they constituted project expenses that are eligible for capitalization.

H. TRANSACTIONS BETWEEN THE COMPANY AND NORBERT KETTERER

In the 2023 reporting period, legal transactions in the form of bank guarantees for which the Company is liable as principal debtor (selbstschuldnerische Bankbürgschaften) had to be reported for Norbert Ketterer:

For the purpose of land acquisition financing and the new construction of the project Storkower Str. 142–146, Berlin, Norbert Ketterer, Switzerland, as principal debtor, has assumed an unlimited guarantee (selbstschuldnerische Bürgschaft) for €4.9 million.

Norbert Ketterer provided a guarantee as principal debtor (selbstschuldnerische Bürgschaft) as security for the acquisition financing for the Leuchtwerke project in Augsburg, for the total loan amount of €42.4 million.

Norbert Ketterer assumed a guarantee as principal debtor (selbstschuldnerische Bürgschaft) in the amount of €13.0 million for the acquisition financing of the Hamburg Seevestraße property.

In return for providing the guarantees, Norbert Ketterer receives a commission amounting to 1% per annum of the guarantee amount. Guarantee commissions totaling €2.0 million were recognized in the year under review.

Moreover, Norbert Ketterer received a remuneration of €40 thousand for his office as Chairman of the Supervisory Board.

I. TRANSACTIONS BETWEEN THE COMPANY AND OTHER RELATED PERSONS

In relation to the compensation of key management personnel required to be reported in accordance with IAS 24, we refer to Subsection B of this Note; this comprises the compensation of the active members of the Management Board and the Supervisory Board.

Natalie von Rom – wife of the Supervisory Board member Ferdinand von Rom – was active as a notary public for companies of the Group in fiscal year 2023 and invoiced a total amount of €39.5 thousand for her services in 2021 (previous year: €0 thousand). There were no balances outstanding as of the reporting date.

7.4 GOVERNING BODIES

A. SUPERVISORY BOARD

In accordance with the articles of association, the Supervisory Board of GATEWAY consists of five members who are elected by the Annual General Meeting. The members of the Group's Supervisory Board during the reporting year 2023 are presented below:

- Norbert Ketterer, businessman, Rueschlikon/Switzerland (Chairman)
- Thomas Kunze, business management graduate, Leipzig/Germany (Deputy Chairman)
- Ferdinand von Rom, attorney (Rechtsanwalt), Frankfurt am Main/Germany
- Jan Hendrik Hedding, businessman, Zurich/Switzerland
- Leonhard Fischer, businessman, Zurich/Switzerland

Ferdinand von Rom resigned from the Supervisory Board with effect from January 31, 2024, and Jan Hendrik Hedding resigned from the Supervisory Board with effect from February 15, 2024. We are in the process of finding successors.

B. MANAGEMENT BOARD

The members of the Group's Management Board during the reporting year 2023 are presented below:

— Tobias Meibom, Hamburg/Germany, CFO
— Stefan Witjes, Berlin/Germany, COO

Tobias Meibom's term of office expired as of the end of the fiscal year. Since that date, Stefan Witjes has been solely responsible for the Company's Management Board.

7.5 AUDITOR'S FEES

The total fee charged by the independent auditor for its activity throughout the Group in the past fiscal year in the amount of €487 thousand (previous year: €478 thousand) includes fees for auditing services and other services, plus the statutory sales tax. The total fee can be broken down as follows:

—

in € thousand	2023	2022
Financial statements auditing services	482	478
Other services	5	0
Total	**487**	**478**

7.6 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

GATEWAY's Management Board and Supervisory Board have issued the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz; AktG). The declaration is included in the 2023 Annual Report and will also be permanently accessible to the shareholders on the website under https://www.gateway-re.de/en/investor-relations/corporate-governance/declarations-of-compliance/ (German only).

7.7 LIST OF SHAREHOLDINGS

Name of the company	Registered office, country	Ownership interest in %	Foot-note
Fully-consolidated subsidiaries (standing assets)			
Gateway Vierte GmbH	Frankfurt am Main, Germany	94.90	
Gateway Siebte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Achte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Neunte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Elfte GmbH	Frankfurt am Main, Germany	94.00	
Gateway Betriebsvorrichtungen – Dienstleistungen – Marketing GmbH	Frankfurt am Main, Germany	100.00	
Augskor 1 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Augskor 2 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Augskor 3 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Duisburg EKZ 20 Objekt GmbH	Berlin, Germany	89.90	
MUC Airport Living GmbH	Munich, Germany	90.00	
Borussia Dresden Quartiere am Blüherpark 10 UG	Duesseldorf, Germany	100.00	4
S8 Chelsea Quartier GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
Fully-consolidated subsidiaries (property development)			
Residential Properties Development			
Borussia Development GmbH	Duesseldorf, Germany	100.00	
Borussia Köln DQ Erschließungs UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 1 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 2 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 3 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 4 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 5 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 6 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 7 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 8 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 9 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 10 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 11 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 12 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 13 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 14 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 15 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 16 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 17 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 18 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 19 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 20 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 21 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ Einkaufs GbR	Duesseldorf, Germany	100.00	3
Borussia Dresden Investment UG	Duesseldorf, Germany	89.90	3
Borussia Dresden Quartiere am Blüherpark 1 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 2 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 3 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 4 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 5 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 6 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 7 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 8 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Blüherpark BA 1 Verwaltungs GmbH	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 9 UG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 11 UG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 12 UG	Duesseldorf, Germany	100.00	4
Borussia Dresden Einkaufs-GbR	Duesseldorf, Germany	100.00	4
Gateway Residential GmbH	Frankfurt am Main, Germany	100.00	
Beteiligungsgesellschaft Berlin-Heinersdorf 18 GmbH	Berlin, Germany	90.00	7
Gateway SoHo Sullivan GmbH & Co. KG	Frankfurt am Main, Germany	100.00	7
Gateway SoHo Sullivan Verwaltungs GmbH	Frankfurt am Main, Germany	100.00	7
S0 SoHo Sullivan GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S1 Rialto Quartier GmbH	Frankfurt am Main, Germany	100.00	5
S2 Cliffhanger GmbH	Frankfurt am Main, Germany	100.00	5
S3 Forum Sullivan GmbH	Frankfurt am Main, Germany	100.00	5
S4 De Gregori Quartier GmbH	Frankfurt am Main, Germany	100.00	5
S5 Dalla Quartier GmbH	Frankfurt am Main, Germany	100.00	5
S7 Curve Quartier GmbH	Frankfurt am Main, Germany	100.00	5
S6 Park Lane GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S11 Piazza GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S12 Sound & Vision GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
Gateway SoHo Sullivan Baufeld 10 GmbH & Co. KG	Frankfurt am Main, Germany	100.00	8

Fully-consolidated subsidiaries (property development)			
Residential Properties Development			
Gateway Siebzehnte GmbH	Eschborn, Germany	100.00	
Gateway Achtzehnte GmbH	Eschborn, Germany	100.00	
Gateway Neunzehnte GmbH	Berlin, Germany	100.00	
Gateway Zwanzigste GmbH	Berlin, Germany	100.00	
Gateway Hamburg Seevestraße GmbH (vormals Maize Zizania Property GmbH)	Berlin, Germany	100.00	6
Gateway Einundzwanzigste UG	Eschborn, Germany	100.00	
Gateway Zweiundzwanzigste UG	Eschborn, Germany	100.00	
Commercial Properties Development			
Revaler Straße 32 PE GmbH	Berlin, Germany	51.00	2
Storkower Straße 140 PE GmbH	Berlin, Germany	51.00	2
Storkower Straße 142–146 PE GmbH	Berlin, Germany	51.00	2
Companies not included			
GTY Betriebsvorrichtung GmbH	Eschborn, Germany	100.00	1
Associates accounted for using the equity method			
GAM Retail Portfolio Holding GmbH	Berlin, Germany	42.15	
Other investments			
Projektentwicklung Taunusstr. 52–60 in Frankfurt GmbH	Duesseldorf, Germany	11.00	7

1 Investment held via Gateway Achte GmbH, Frankfurt am Main
2 Investment held via Gateway Neunte GmbH, Frankfurt am Main
3 Investment held via Borussia Development GmbH, Duesseldorf
4 Investment held via Borussia Dresden Investment UG, Duesseldorf
5 Investment held via Gateway SoHo Sullivan GmbH, Frankfurt am Main
6 Investment held via Gateway Siebzehnte GmbH, Eschborn
7 Investment held via Gateway Residential GmbH, Frankfurt am Main
8 Investment held via Gateway S0 SoHo Sullivan GmbH & Co. KG, S6 Park Lane GmbH & Co. KG and S7 Curve Quartier GmbH, Frankfurt am Main

7.8 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Going concern risk

As of the reporting date, the Group has financial liabilities due in the short term in the amount of €810.1 million, mainly relating to the financing arrangements for the projects Borussia Köln, SoHo Mannheim, Dresden Blüherpark, Berlin Heinersdorf, and Augsburg, and a promissory note loan of Gateway Real Estate AG taken out for general financing purposes. Of these liabilities, an amount of €656.8 million was not fully covered by agreed refinancing or planned sales proceeds as of the reporting date. An amount of €119.6 million of the loans was extended as part of the Management Board's negotiations with the individual lenders. As regards extensions of financing arrangements with a volume of €502.1 million that have not yet been agreed, the lenders have sufficient collateral in the form of land charges, which means that the financing arrangements are expected to be extended, in the view of the Company's legal representative, and the realization of the collateral provided will be accepted in exceptional cases. Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation, a material portion of the financing arrangements not extended up to the date of preparation is not extended and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk.

According to the Management Board, the situation of the individual projects and the subsidiaries involved in the respective projects is as follows:

Sale of standing asset in Duisburg

By way of a purchase agreement dated March 26, 2024, the standing asset of the Group company Duisburg EKZ 20 Objekt GmbH was sold at a price of €6.8 million; the financing with a nominal amount of €5.0 million was redeemed. Possession, benefits and obligations were transferred in May 2024 after the requirements for payment becoming due were met. Any effect on profit or loss beyond the purchase price has not been incurred by the Group, as the property was already measured at the purchase price as of December 31, 2023.

Sale of two building plots of the SoHo Mannheim project development and entering into additional project financings

By way of purchase agreements dated May 22, 2024, two building plots (Baufeld 1 and Baufeld 10) of the SoHo Mannheim project development were disposed at a purchase price of €134.3 million in total. The purchase agreement for Baufeld 1 comes into force subject to the approval of one contracting party. The approval will take the form of a notarial amendment; the details of such amendment are being finalized by the parties and the notarization of which is expected shortly.

Possession, benefits and obligations as regards Baufeld 10 are expected to be transferred in the second half of 2025 after the requirements for payment becoming due are met and after the final acceptance of the buyer upon payment of the final purchase price installment. Purchase price payments in the amount of €37.1 million have been paid so far since the reporting date. Overall, the Management Board anticipates negative earnings in the single-digit million range for 2024 in connection with these transactions.

Short-term loans totaling €30.0 million were taken out after the reporting date to finance ongoing construction costs, of which an amount of €15.0 million has already been repaid upon the receipt of the purchase price payments. The remaining €15.0 million will become due not later than December 31, 2024. This amount will be repaid from the proceeds generated from further construction progress.

Project development Köln Deutz Quartiere
After the reporting date, both junior and senior financing agreements for the Cologne project development with a carrying amount of €253,335 thousand were extended initially until June 28, 2024 by way of an agreement dated May 17, 2024 and May 28, 2024. The Company is currently in negotiations and talks regarding a longer-term solution, which should be achieved already in 2024 if possible.

Collateral was provided for the senior financing in the form of pledges of shares and real estate assets secured by land charges with a carrying amount of €406,234 thousand and a letter of comfort of Gateway Real Estate AG towards the lender as regards payment of a maximum amount of €8,000 thousand.

The agreement reached with the senior lender on August 21, 2023, provided for a deferral of the interest due and payable as at June 28, 2023 until September 15, 2023. Interest was paid on September 14, 2023. Furthermore, the agreement provided for a deferral of the obligation to contribute equity capital of €5.0 million until November 30, 2023 and of a further €10.0 million until February 29, 2024. On May 17, 2024 and on May 28, 2024, both financing arrangements were extended initially until June 28, 2024. At the same time, several requirements were agreed which, if they are complied with, allow for an extension for a longer period of one year. In this context, GATEWAY has met its obligations to date and is currently in negotiations for a short to medium-term extension or solution. The milestones required to be reached for an extension beyond June 28, 2024 are being negotiated at the moment. If an extension is not achieved, there is the possibility that the collateral provided for this project is realized, and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Projektentwicklung Borussia Dresden
The acquisition financing for the project development and also for the existing commercial property in Dresden Blüherpark has a nominal loan amount of €87,000 thousand, plus interest of €6,688 thousand payable upon final maturity and a term until October 31, 2024. Real estate assets secured by land charges with a carrying amount of €184,925 thousand and pledges of shares are used as collateral. In light of ongoing discussions with various investors, the Management Board assumes that the loan amounts will be repaid in an orderly manner.

By way of a declaration dated April 28, 2021, the Group's ultimate parent company issued an irrevocable and unconditional guarantee to the creditor of the acquisition financing for unpaid interest and a cost overrun in the amount of €3,500 thousand, which is deemed unlikely. If an extension beyond October 31, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Standing asset in Augsburg
The investment property in Augsburg is financed by the Group's ultimate parent company until May 31, 2024 through a loan with a nominal amount of currently €41,896 thousand. Real estate assets secured by land charges with a carrying amount of €99,100 thousand are used as collateral. In addition, Norbert Ketterer provided a guarantee as principal debtor (selbstschuldnerische Bürgschaft) for the total loan amount of €42,400 thousand as collateral for the loan. On May 16, 2024, a special repayment of €2,276 thousand was made, reducing the loan amount to a total of €39,620 thousand. Negotiations are currently held with a new financing partner to take over the existing financing and to lend funds for further project development costs. In the agreement dated June 17, 2024, the current lender agreed to extend the existing financing subject to further payments in the course of the 2024 fiscal year. To that extent, a closing fee of €594 thousand was paid on August 26, 2024 and interest in the amount of €427 thousand was paid on August 29, 2024, which resulted in the repayment date being postponed for the time being to December 31, 2024.

Based on the discussions, it is currently assumed that the existing financing will be extended until the potential new financing partner redeems the loan. If the Group's development is as planned in the 2024 forecast period, it is more likely than not that the special repayments can be made. If an extension beyond December 31, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Berlin Heinersdorf project development:
The senior financing of the Berlin Heinersdorf project development has a nominal loan value of €30,000 thousand and a term until September 30, 2024. Real estate assets secured by land charges with a carrying amount of €36,600 thousand are used as collateral.

In light of ongoing discussions with various investors, the Management Board assumes that the loan will be either extended or restructured. If an extension or a standstill agreement beyond September 30, 2024 is not achieved, the collateral provided for this project would be realized and the continued existence of the subsidiaries involved in the project would be at risk. From a Group perspective, the failure to extend the financing arrangements due to the resulting realization of the collateral provided would be of minor significance for the Group's financial position and performance and would therefore, in the view of the legal representative, not directly jeopardize the Group's continued existence due to the associated potential realization of the collateral provided.

Exercise of pre-emptive right in relation to the Hamburg Seevestraße project development
The city of Hamburg exercised its pre-emptive right in relation to the project development in Hamburg at the end of 2022. By way of a land purchase agreement dated February 19, 2024, the city of Hamburg acquired the Hamburg Seevestraße project development for €35.5 million. Possession, benefits and obligations were transferred one day after the purchase price payment on March 28, 2024. Any effect on profit or loss beyond the purchase price has not been incurred by the Group, as the property was already measured at the purchase price as of December 31, 2023.

Extension of promissory note loan of Gateway Real Estate AG
By way of agreement dated July 31, 2024, the promissory note loan in the amount of €30.0 million was extended until August 2, 2025 (previously until August 2, 2024), following interest add-on in the amount of €2.4 million. The interest rate will amount to 6.0% between August 2, 2024 and February 2, 2025. The interest rate will increase to 10.0% up until the repayment date (August 2, 2025).

Extension of SNBH liabilities
The following liabilities to SNBH as of December 31, 2023 were extended until December 31, 2025, effective January 1, 2024:

—

Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
Borussia Development GmbH, Duesseldorf	16,048	10.00	21,692	20,086	12/31/2024
Total	**16,048**		**21,692**	**20,086**	

Change of creditor in relation to SNBH liabilities
The following liabilities to SNBH as of December 31, 2023 were transferred to the related company Helvetic Capital AG, Zug, Switzerland as of January 1, 2024 and were extended until December 31, 2025:

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of December 31, 2022 in € thousand	End of contract term
SN Beteiligungen Holding AG, Switzerland						
02/18/2021	Gateway Real Estate AG, Frankfurt am Main	56,000	4.25	52,908	50,919	12/31/2025
12/28/2022	Gateway Real Estate AG, Frankfurt am Main	5,140	4.25	5,296	1,100	12/31/2025
02/10/2023	Gateway Real Estate AG, Frankfurt am Main	7,658	4.25	7,947	0	12/31/2025
02/27/2023	Gateway Real Estate AG, Frankfurt am Main	1,000	4.25	1,036	0	12/31/2025
03/02/2023	Gateway Real Estate AG, Frankfurt am Main	1,000	4.25	1,036	0	12/31/2025
03/07/2023	Gateway Real Estate AG, Frankfurt am Main	9,975	4.25	10,211	0	12/31/2025
03/17/2023	Gateway Real Estate AG, Frankfurt am Main	2,000	4.25	2,067	0	12/31/2025
04/05/2023	Gateway Real Estate AG, Frankfurt am Main	3,875	4.25	3,996	0	12/31/2025
Total		**86,648**		**84,497**	**52,019**	

Extension of loan for Gateway Achtzehnte GmbH
By way of an agreement dated June 13, 2024, the financing for the project in Chemnitz with a nominal amount of €4,000 thousand was extended until June 30, 2025.

Extension of promissory note loan for Hamburg Seevestraße project of Gateway Real Estate AG
By way of agreement dated March 26, 2024, the outstanding amount of the acquisition financing for the project in Hamburg Seevestraße with a nominal value of €9,581 thousand and interest of €531 thousand was extended to March 2, 2025.

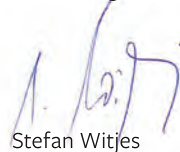
Extension of existing financing for SoHo Mannheim project development
Based on an agreement dated September 13, 2024, a new payment plan was agreed for the bond for the SoHo Mannheim project development with a carrying amount of €50,256 thousand, pursuant to which €1,000 thousand was paid in September 2024, and it was agreed to make the remaining repayments in three tranches. A further €2,000 thousand in each case is linked to previously defined sales. The remaining value was extended until July 2025. Furthermore, additional collateral was provided in the form of assigned loan claims from the Scale project in Berlin with a nominal value of €21.8 million plus interest totaling €26.7 million and in the form of land charges for the southern construction site of the SoHo Mannheim project development.

Changes in the Management Board and the Supervisory Board
Tobias Meibom's term of office expired as of the end of the fiscal year. Since that date, Stefan Witjes has been solely responsible for the Company's Management Board.

Ferdinand von Rom resigned from the Supervisory Board with effect from January 31, 2024, and Jan Hendrik Hedding resigned from the Supervisory Board with effect from February 15, 2024. We are in the process of finding successors.

Frankfurt am Main, September 23, 2024

Gateway Real Estate AG
The Management Board



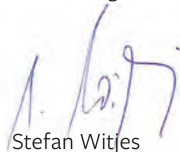
Stefan Witjes

RESPONSIBILITY STATEMENT

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

Frankfurt am Main, September 23, 2024

Gateway Real Estate AG
The Management Board



Stefan Witjes

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INDEPENDENT AUDITOR'S REPORT

To Gateway Real Estate AG, Frankfurt am Main

Report on the audit of the consolidated financial statements and of the Group management report

AUDIT OPINIONS

We have audited the consolidated financial statements of Gateway Real Estate AG, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1, 2023 to December 31, 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Gateway Real Estate AG, Frankfurt am Main, for the fiscal year from January 1, 2023 to December 31, 2023. In accordance with German legal requirements, we have not audited the content of the components of the Group management report listed in the section "Other information" of our independent auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

— the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2023, and of its financial performance for the fiscal year from January 1, 2023 to December 31, 2023, and

— the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the contents of the components of the Group management report listed in the section "Other information", where we have not audited the contents of such components.

Pursuant to Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the Group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We refer to the disclosures in section "2.1 Basis of the consolidated financial statements", "3.7 Liquidity risk", "6.11 Financial liabilities" and "7.8 Significant events after the reporting date" in the notes to the consolidated financial statements as well as the disclosures in sections "3.2.2 Company-specific risks" and "3.2.3 Overall assessment of the risk situation" in the Group management report, where the legal representative describes that, as of the date of preparation, there are risks that jeopardize the continued existence of the Company.

As of the reporting date, the Group has financial liabilities due in the short term in the amount of €810.1 million, mainly relating to the financing arrangements for the projects Borussia Köln, SoHo Mannheim, Dresden Blüherpark, Berlin Heinersdorf, and Augsburg, and a promissory note loan of Gateway Real Estate AG taken out for general financing purposes. Of these liabilities, an amount of €656.8 million was not fully covered by agreed refinancing arrangements or planned sales proceeds as of the reporting date. An amount of €119.6 million of the loans was extended as part of the Management Board's negotiations with the individual lenders. As regards extensions of financing arrangements with a volume of €502.1 million that have not yet been agreed, the lenders have sufficient collateral in the form of land charges, which means that the financing arrangements are expected to be extended, in the view of the Company's legal representative, and the realization of the collateral provided will be accepted in exceptional cases. Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation, a material portion of the financing arrangements not extended up to the date of preparation is not extended and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk.

As explained in section "2.1 Basis of the consolidated financial statements", "3.7 Liquidity risk", "6.11 Financial liabilities" and "7.8 Significant events after the reporting date" in the notes to the consolidated financial statements and in sections "3.2.2 Company-specific risks" and "3.2.3 Overall assessment of the risk situation" in the Group management report, these events and circumstances indicate that a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern and which constitutes a going concern risk within the meaning of Section 322 (2) sentence 3 HGB.

In accordance with Article 10 (2) (c) (ii) of the EU Audit Regulation, our audit response to this risk can be summarized as follows:

As part of our audit, we considered whether the legal representative's assessment of the application of the going concern principle in preparing the consolidated financial statements and the Group management report is appropriate, whether a material uncertainty exists in relation to this assessment and whether the disclosures required to explain the material uncertainty in the notes to the consolidated financial statements and the Group management report are appropriate. We have examined the current Group-wide financial planning for the coming twelve-month period from the date of preparation of the consolidated financial statements and, in particular, the measures planned and initiated on which this planning is based. To this end, we analyzed the planning process and verified the mathematical accuracy of the planning and its appropriateness for assessing the development of liquidity. We have verified which events considered in the planning are already secured by existing agreements and which are not. We inspected the existing contractual agreements on a sample basis. For transactions not based on contractual arrangements, we evaluated the assessment of the legal representative as to the probability of occurrence and performed a plausibility check. In addition, we have verified that the disclosures in the notes to the consolidated financial statements as of December 31, 2023 and in the Group management report for the financial year from January 1 to December 31, 2023 on the material uncertainties relating to the going concern assumption are appropriate.

Our audit opinions on the consolidated financial statements and on the Group management report are not modified with regard to this matter.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from January 1, 2023 to December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters. In addition to the matters described in section "Material uncertainty related to going concern," we have identified the matters set out below as key audit matters that have to be mentioned in our auditor's report.

In our view, the matters presented below were the most significant as part of our audit:

Recognition and measurement of investment properties

— Reasons for designation as Key Audit Matter

The consolidated financial statements of Gateway Real Estate AG as of December 31, 2023 show investment properties in the amount of €238.5 million (previous year: €271.2 million). In preparing the consolidated financial statements, the Management Board has to decide for each property whether it is to be reported as investment property, as a non-current asset held for sale or as inventories. Gateway Real Estate AG accounts for investment properties using the fair value model in accordance with IFRS 13. Accordingly, unrealized changes in fair value due to changes in market values are generally recognized in profit or loss as part of fair value measurement. In the

past fiscal year, €–52.5 million (previous year: €–18.1 million) has been recognized in profit or loss in the consolidated statement of comprehensive income as unrealized changes in fair value due to changes in market values.

The fair value of investment properties is determined on the basis of appraisals conducted by external experts, based on current market data and using internationally recognized valuation methods. For completed properties and projects nearing completion, discounted cash flow methods are used to discount the expected future cash flows of a property to the reporting date of December 31, 2023, applying a market-based, property-specific discount and capitalization rate. In the case of undeveloped land, the residual value method is used to determine a realistic land value. The fair value is generally determined on the basis of the highest and best use of the property (concept of "Highest and Best Use").

The valuation of investment properties is based on a large number of parameters that are fundamentally subject to estimation uncertainty and judgment. Significant valuation parameters include in particular the expected cash flows, the assumed vacancy rate, and the discount and capitalization rates. Even minor changes in valuation-relevant parameters can lead to significant changes in fair values. Due to the significance of the item "Inventories" for the financial statements and the estimation uncertainties and the exercise of discretion by the Management Board, we have determined that this is a key audit matter.

— Our audit approach

We have assessed the correct presentation of the investment properties on the basis of the contractual documents, the corporate planning, information provided by the legal representative and other documents submitted. In order to examine the valuation, we assessed the competence, ability and objectivity of the external appraiser engaged by Gateway Real Estate AG to determine the fair value, assessed the valuation methods applied in the appraisals with regard to compliance with IAS 40 in conjunction with IRS 13, assessed the significant valuation assumptions and parameters, and examined the arithmetical accuracy of the calculations. We have assessed the accuracy and completeness of the data on the real estate portfolios used in the valuation models by means of substantive audit procedures.

In addition, we performed analytical audit procedures on the change in market values per property. To this end, we analyzed whether the development of the value drivers (e.g. annual net rent, lettable area, vacancy rate, discount and capitalization rate, gross multiplier) is in line with the development of the market value of the respective property.

We also assessed the completeness and adequacy of the disclosures in the notes to the consolidated financial statements required by IAS 40 and IFRS 13.

— Reference to related disclosures in the notes

For information on investment properties, please refer to Note 2.8 in "2. Significant accounting policies" and Note 6.3 in "6. Additional notes to the items of the consolidated financial statements" in the notes to the consolidated financial statements.

Recognition and measurement of inventories

— Reasons for designation as key audit matter

The consolidated financial statements of Gateway Real Estate AG as of December 31, 2023, show inventories in the amount of €919.9 million (previous year: €882.0 million). This corresponds to 66% of total assets. The accounting for properties in inventories is associated with uncertainties caused by estimates and the exercise of discretion due to the following circumstances. The Management Board initially has to decide for each property whether it is to be held for long-term rental or for capital appreciation or whether it is to be sold and accordingly reported as investment property or in inventories.

As part of the measurement of inventories, the Management Board has to ensure that the cost is determined correctly and has to examine whether an impairment to a net realizable value lower than (amortized) cost is necessary. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses still to be incurred. Due to the significance of inventories for the financial statements and the estimation uncertainties and the exercise of discretion by the Management Board, we have determined that this is a key audit matter.

— Our audit approach

We have assessed the correct presentation of the properties in inventories on the basis of the contractual documents, the corporate planning, information provided by the legal representative and other documents submitted. In order to review the valuation, we assessed the implementation, design and functionality of the relevant internal controls. With regard to the cost, we carried out a document review based on a deliberate risk-oriented selection. With regard to the determination of the net realizable value, the appropriateness of the estimate of future or expected market prices on the real estate market was assessed on the basis of comparable transactions, expert opinions by experts of the legal representative or existing business plans.

We also assessed the completeness and adequacy of the disclosures in the notes to the consolidated financial statements required by IAS 2.

— Reference to related disclosures in the notes

With regard to the accounting policies applied for properties in inventories and the related disclosures on the exercise of discretion, we refer to the disclosures in the notes to the consolidated financial statements in the sections 2.11 in "2. Significant accounting policies" and 6.5 in "6. Additional notes to the items of the consolidated financial statements."

OTHER INFORMATION

The legal representative is responsible for the other information. The other information comprises:

1. components of the Group management report the content of which was not audited

— the separate corporate governance statement in accordance with Section 289f HGB in conjunction with Section 315d HGB, to which reference is made in section 1.3 in the Group management report

2. Additional other information

— the report of the Supervisory Board
— the remuneration report
— the confirmation pursuant to Section 297 (2) Sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to Section 315 (1) Sentence 5 HGB regarding the Group management report
— the remaining parts of the annual report, with the exception of the audited consolidated financial statements and the Group management report, which has been audited in relation to its contents, and our auditor's report

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representative 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, to which reference is made in the Group management report as part of the corporate governance statement as well as for the remuneration report. In all other respects, the legal representative is responsible for the other information.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

— is materially inconsistent with the consolidated financial statements, with the Group management report or with 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 LEGAL REPRESENTATIVE AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The legal representative is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with such requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representative is responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the legal representative is responsible for assessing the Group's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern for preparing the accounts on a going concern basis of accounting unless he intends to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representative is responsible for the preparation of the Group management report which, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representative is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and in all material respects is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with German legal requirements, and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

— identify and assess the risks of material misstatement in the consolidated financial statements and the Group management report, whether due to fraud or error, we design and perform audit procedures responsive to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

— obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements, and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the legal representative and the reasonableness of estimates made by the legal representative as well as related disclosures.

- conclude on the appropriateness of the legal representative's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to be able to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the Group management report with the consolidated financial statements, its compliance with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the legal representative in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representative as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and therefore are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the electronic reproductions of the consolidated financial statements and the Group management report prepared for the purpose of disclosure in accordance with Section 317 (3a) HGB

DISCLAIMER OF OPINION

We were engaged to perform an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and of the Group management report (hereinafter also referred to as "ESEF documents"), prepared for publication purposes, complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format").

We do not express an opinion on the ESEF documents. Due to the significance of the matter described in the section "Basis for disclaimer of opinion", we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our opinion on the ESEF documents.

Basis for disclaimer of opinion
As the legal representative has not provided us with any ESEF documents for audit up to the date of the auditor's report, we do not express an opinion on the ESEF documents.

Responsibilities of the legal representative and the Supervisory Board for the ESEF documents
The legal representative of the Company is responsible for the preparation of the ESEF documents including the electronic reproductions of the consolidated financial statements and the Group management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No. 2 HGB.

In addition, the legal representative of the Company is 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
We are responsible for conducting an audit of the ESEF documents in accordance with Section 317 (3a) HGB and IDW Assurance Standard: Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AsS 410 (06.2022). Due the matter described in the section "Basis for disclaimer of opinion", we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our opinion on the ESEF documents.

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the Annual General Meeting on August 30, 2023. We were engaged by the Supervisory Board on December 13, 2023. We have been the auditor of the consolidated financial statements of Gateway Real Estate AG, Frankfurt am Main, without interruption since the 2019 fiscal year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Karsten Luce.

Nuremberg, September 23, 2024

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft

gez. Landgraf
(German Public Auditor)

gez. Luce
(German Public Auditor)

FINANCIAL CALENDAR

September 30, 2024	Publication of half-yearly financial report
October 2024	Annual General Meeting
November 29, 2024	Publication of quarterly statement (publication date Q3)

IMPRINT

Publisher
Gateway Real Estate AG
Hardenbergstr. 28a
10623 Berlin, Germany

T +49 30 40 363 47-0
F +49 30 40 363 47-99

info@gateway-re.de
www.gateway-re.de

Project management
GFD – Gesellschaft für Finanzkommunikation mbH,
Frankfurt am Main, Germany

Design
2dKontor – Aabenraa, Denmark

Photos
Michael Fahrig, Berlin, Germany

Gateway Real Estate AG
Hardenbergstr. 28a
10623 Berlin, Germany

T +49 30 40 363 47-0
www.gateway-re.de