

**INTERIM MANAGEMENT STATEMENT
AS OF MARCH 31**

2023



GATEWAY
REAL ESTATE

AT A GLANCE

KEY FINANCIAL INDICATORS

in € thousand	01/01– 03/31/2023	01/01– 03/31/2022
Financial performance indicators		
Revenue	1,940	2,348
Gross profit	41,613	25,058
EBIT adjusted	12,463	11,031
EBT	-2,131	-984
Consolidated profit/loss	-3,733	-2,809
Earnings per share in €	-0.02	-0.02
Financial position and liquidity ratios		
Total assets	1,475,066	1,431,550
Equity	375,224	379,049
Equity ratio	25.4%	27.0%
Cash and cash equivalents	6,618	8,951
Net financial debt	886,080	835,292
Portfolio indicators		
Average gross development volume (GDV) in € billion	6	6
Number of projects (as of end of March)	8	8

For technical reasons, rounding differences may occur in tables and references compared to the mathematically precise values.

ABOUT US

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 9 CITIES AND SELECTED HIGH-GROWTH REGIONS.

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

INTERIM GROUP MANAGEMENT REPORT

1. FUNDAMENTAL INFORMATION ON THE GROUP AND STRATEGY

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 €608 million (as of March 31, 2023). Established in 2006, GATEWAY and its subsidiaries can look back on extensive expertise in the German real estate market and are currently (as of March 31, 2023) developing real estate with a gross development volume (GDV) of more than €6 billion.

In this context, GATEWAY focuses on Germany’s Top 9 cities – Berlin, Dresden, Duesseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich and Stuttgart – as well as on selected high-growth areas and covers all of the important steps in the value creation chain of a development project with its own in-house teams. In all of its project developments, GATEWAY pursues the strategy of generating attractive margins and, at the same time, minimizing the project development risk by means of a detailed process management. In the context of its extended corporate strategy, GATEWAY increasingly seeks to develop residential real estate for long-term holding and administration (build-to-hold) to generate sustainable rental revenues. Accordingly, the Standing Assets and Residential Properties Development segments will be expanded further in the medium term. Except for three commercial properties development projects in Berlin, which will be sold over time, GATEWAY 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.

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

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

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

2. BUSINESS DEVELOPMENT

In the first three months of 2023, the existing project developments progressed as planned. Most notably, the closing of another project site was completed as part of the SoHo Mannheim project development. The negotiations that were started in the previous year in relation to the prolongation of the project financings in Mannheim and Cologne continue.

3. FINANCIAL POSITION

GATEWAY Group's total assets slightly increased from €1,431.6 million as of December 31, 2022 by €43.5 million to a total of €1,475.1 million as of March 31, 2023.

On the assets side, the increase was primarily attributable to non-current assets, which rose by €55.6 million to a total of €355.1 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 €57.9 million remaining within the Group. On the other hand, inventories in particular declined by €54.8 million. The deconsolidation of the subsidiary was due to the fact that control ceased to exist as a result of the transfer of voting rights (see page 123 of the 2022 Annual Report). Following the remeasurement of the loan receivable, the result from deconsolidation, which initially showed a net gain of €6.2 million, was fully offset. Accordingly, there were no effects on earnings or cash flows.

Despite material disposals in the area of inventories, these declined only by €-6.6 million, mainly as a result of changes in inventories of finished goods and work in progress in the amount of €37.3 million. In addition, due to the completion of a closing for a project site belonging to the SoHo Mannheim project development, the carrying amounts previously reported under other non-financial assets were reclassified to inventories, which is mainly the reason for the decrease in other non-financial assets by €5.7 million. Cash and cash equivalents declined by €2.3 million to €6.6 million.

Thus, current assets slightly decreased overall by €12.0 million to €1,120.0 million.

The value of investment properties held by the Group remained unchanged at €271.2 million as of the reporting date.

In terms of liabilities, the Group's non-current liabilities amounted to €449.9 million as of the reporting date (December 31, 2022: €431.4 million); the major portion of that amount is attributable to non-current financial liabilities in the amount of €400.8 million (December 31, 2022: €383.8 million). The increase by 4.4% mainly results from taking out new project financings.

Current liabilities totaled €650.0 million as of March 31, 2023 (December 31, 2022: €621.1 million). Of that amount, €150.8 million refer to trade payables (December 31, 2022: €154.5 million). The decrease by €3.7 million is primarily the result of repayments of outstanding project-related invoices.

In addition, current financial liabilities accounted for €463.8 million (December 31, 2022: €432.0 million). Current financial liabilities were mainly up due to accrued interest and new loans taken out to further finance project developments.

The GATEWAY Group's equity as of March 31, 2023 amounted to €375.2 million (December 31, 2022: €379.1 million). The decrease is the result of the negative consolidated total comprehensive income in the amount of €3.7 million. Accordingly, the Group's equity ratio decreased slightly from 26.5% at the end of the prior year to now 25.4% as of March 31, 2023.

4. CASH FLOWS

The cash inflows and outflows in the first three months of fiscal year 2023 overall led to a decrease in cash as of March 31, 2023, primarily caused by cash flows from operating activities. The reasons for the outflows are the progressing construction activities and the related expansion of inventories. At the same time, cash inflows were reported as part of financing activities as new project financings were taken out.

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CONDENSED CASH FLOW STATEMENT:

in € thousand	01/01- 03/31/2023	01/01- 03/31/2022
Cash flows from operating activities	-38,423	-34,754
Cash flows from investing activities	-150	-103
Cash flows from financing activities	36,240	48,052
Net decrease/increase in cash and cash equivalents	-2,333	13,195
Cash and cash equivalents as of 01/01	8,951	16,457
Cash and cash equivalents as of the end of the period	6,618	29,652

The negative cash flows from operating activities amounted to €-38.4 million in the first three months of 2022. The cash outflows increased compared to the prior-year period by €-3.7 million, which was attributable to the increase in inventories by €48.1 million (Q1 2022: €19.2 million) as a result of construction activities in relation to project developments and purchase price payments for project sites. At the same time, outstanding trade payables in the amount of €4.1 million were paid. The negative cash flows from investing activities amounted to €-0.2 million, almost at the previous year's level.

The positive cash flows from financing activities in the amount of €36.2 million are attributable to new financial loans in the amount of €41.4 million. The loan funds were primarily used to finance 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 €5.2 million. In the prior-year period, cash inflows from re-financing the purchase of an urban quarter development in Hamburg by means of a promissory note loan resulted in a €11.9 million increase in cash flows from financing activities.

The net decrease resulting from the abovementioned cash flows in the first three months of the fiscal year 2023 totaled €-2.3 million, resulting in a decline of cash and cash equivalents to €6.6 million as of March 31, 2023. As of the previous reporting date (December 31, 2022), cash and cash equivalents had amounted to €9.0 million.

5. FINANCIAL PERFORMANCE

In the first quarter of the fiscal year 2023, the Group of Gateway Real Estate AG generated revenues in a total amount of €1.9 million (Q1 2022: €2.3 million). These mainly resulted from slightly declining lettings.

Gross profit amounted to €41.6 million (Q1 2022: €25.1 million), which, in addition to the revenues mentioned above, comprises changes in inventories of finished goods and work in progress of €37.3 million (Q1 2022: €19.5 million) – largely consisting of capitalized construction costs and construction period interest – and other operating income in a total amount of €2.4 million (Q1 2022: €3.2 million).

Changes in inventories of finished goods and work in progress increased significantly over the prior-year period by an amount of €17.8 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.

In the reporting period, the costs for raw materials and consumables used increased accordingly by €15.3 million over the prior-year period to €26.6 million and mainly consist of the construction costs of the inventory properties (€17.4 million), acquisition costs for land (€7.3 million) as well as management costs for the rented properties (€1.9 million). In the first three months of 2023, the employee benefits expense grew by €0.1 million to €1.1 million as a result of an increasing headcount. Fair value changes in investment properties and valuation of properties held as inventory amounted to €-0.1 million, unchanged from the prior-year period. Other operating expenses amounted to €1.3 million (Q1 2022: €1.6 million). In the first three months of the fiscal year 2023, GATEWAY achieved an overall operating profit of €12.5 million (Q1 2022: €11.0 million).

Net finance costs in the first three months of the fiscal year 2023 amounted to €-14.6 million (Q1 2022: €-12.0 million) and include finance costs of €17.3 million (Q1 2022: €13.8 million). Finance costs are partially offset by finance income in the amount of €2.7 million (Q1 2022: €1.8 million).

Earnings before tax (EBT) amounted to €-2.1 million (Q1 2022: €-1.0 million). After deducting income taxes of €1.6 million (Q1 2022: €1.8 million), the consolidated net loss for the first three months of the fiscal year 2023 amounted to €-3.7 million (Q1 2022: consolidated net loss of €-2.8 million). This corresponds to basic earnings per share of €-0.02 (Q1 2022: €-0.02) and diluted earnings per share of €-0.02 (Q1 2022: €-0.02). The EBIT adjusted amounted to €12.5 million (Q1 2022: €11.0 million).

6. REPORT ON RISKS AND OPPORTUNITIES

The risks that Gateway Real Estate AG is exposed to within the framework of its business activities, as well as the opportunities arising for the Company were described in detail in the 2022 Annual Report on pages 45-49. In this context, the Group's risk management system was explained, property-specific and company-specific risks and their respective probability of occurrence were presented as well as their potential financial effects were classified based on a risk classification.

Against the background of the effects of a possible economic crisis, which cannot yet be finally determined, and the war in Ukraine, the risk situation remains unchanged compared with the previous fiscal year. The fundamental assessment of the developments in GATEWAY's focus cities regarding population development and excess demand has not changed, however, the extent and the effects of the coronavirus pandemic and the war in Ukraine on business development still cannot be conclusively assessed. The current economic and social situation is characterized by considerable uncertainty, which makes a reliable forecast impossible.

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

Financial difficulties of other companies may open up opportunities to acquire properties in particularly attractive locations or subject to particularly favorable terms. In addition, the macroeconomic development, which is dominated by the pandemic and the war in Ukraine, may result in a subdued increase of the purchase prices in certain local real estate markets or segments of real estate markets, or may lead to flat or even falling price levels. This would also offer the opportunity to acquire properties at prices that are lower than originally assumed. For further details, we refer to the report on opportunities in the 2022 Annual Report on page 49.

7. REPORT ON EXPECTED DEVELOPMENTS

OUTLOOK FOR THE GATEWAY GROUP

By way of an ad hoc release dated April 24, 2023, GATEWAY issued a qualified forecast for the fiscal year 2023. As a result of the challenging market conditions and a considerably lower deal velocity, mainly due to the changed interest rate environment, the Management Board expects an adjusted EBIT of €5–15 million and consolidated earnings before taxes (EBT) of between €–10 million and €0 million for the fiscal year 2023. The main drivers for business development are planned future sales in the Residential Properties Development segment. As a result of the projected sales, the Management Board expects GDV to decline slightly. In view of the business development in the first quarter of 2023, the Management Board confirms this forecast.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2023

IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF MARCH 31, 2023

ASSETS

in € thousand	03/31/2023	12/31/2022
Non-current assets		
Intangible assets and goodwill	9,789	9,789
Property, plant and equipment	1	4
Investment properties	271,171	271,170
Non-current trade receivables	142	142
Other non-current financial assets	63,952	5,946
Other non-current non-financial assets	2,198	2,234
Deferred tax assets	7,857	10,270
	355,110	299,555
Current assets		
Inventories	875,382	881,989
Trade receivables	2,650	1,916
Income tax receivables	2,141	2,140
Other financial assets	166,886	165,042
Other non-financial assets	66,279	71,957
Cash and cash equivalents	6,618	8,951
	1,119,956	1,131,995
	1,475,066	1,431,550

EQUITY AND LIABILITIES

in € thousand	03/31/2023	12/31/2022
Equity		
Subscribed capital	186,764	186,764
Reserves	-389,131	-389,131
Retained earnings	569,574	573,257
Non-controlling interests	8,017	8,159
	375,224	379,049
Non-current liabilities		
Non-current financial liabilities	400,793	383,841
Deferred tax liabilities	48,450	46,370
Other non-current financial liabilities	641	1,144
	449,884	431,355
Current liabilities		
Current financial liabilities	463,762	432,020
Income tax liabilities	5,520	5,824
Trade payables	150,834	154,466
Other financial liabilities	27,502	27,273
Other non-financial liabilities	2,340	1,599
	649,958	621,146
	1,475,066	1,431,550

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM JANUARY 1 TO MARCH 31, 2023

in € thousand	01/01– 03/31/2023	01/01– 03/31/2022
Revenue	1,940	2,348
Changes in inventories of finished goods and work in progress	37,307	19,537
Other operating income	2,366	3,173
Gross profit	41,613	25,058
Raw materials and consumables used	-26,587	-11,309
Employee benefits expense	-1,142	-966
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale	-85	-63
Depreciation and amortization expense	-71	-87
Other operating expenses	-1,265	-1,602
Operating profit	12,463	11,031
Finance income	2,684	1,792
Finance costs	-17,278	-13,807
Net finance costs	-14,594	-12,015
Profit before tax	-2,131	-984
Income tax expense	-1,602	-1,825
Profit/loss for the period	-3,733	-2,809
Other comprehensive income/loss	0	0
Total comprehensive income/loss for the period	-3,733	-2,809
Attributable to equity holders of the parent company	-3,674	-2,978
Attributable to non-controlling interests	-59	169
Earnings per share (basic)	-0.02	-0.02
Earnings per share (diluted)	-0.02	-0.02

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS

FROM JANUARY 1 TO MARCH 31, 2023

in € thousand	01/01– 03/31/2023	01/01– 03/31/2022
Cash flows from operating activities		
Total comprehensive income/loss for the period	-3,733	-2,809
Adjustments for:		
Amortization of intangible assets	16	16
Depreciation of property, plant and equipment	53	71
Changes in fair value of investment properties and valuation of properties held as inventory	85	63
Impairment on trade receivables	23	18
Other non-cash expenses/income	-2,111	-353
Impairment losses	1	0
Tax expenses	1,602	1,825
Net finance costs	14,594	12,015
Changes in:		
Inventories	-48,141	-19,170
Trade receivables and other receivables	-758	-166
Other financial assets	-110	-142
Non-financial assets	7,795	-3,148
Trade payables and other payables	-4,055	-20,437
Non-financial liabilities	748	-162
Changes in other financial liabilities	155	37
Interest paid	-4,195	-2,196
Income taxes received	6	6
Income taxes paid	-398	-222
Cash flows from operating activities	-38,423	-34,754
Cash flows from investing activities		
Payments for investments in investment properties	-86	-67
Purchase of intangible assets	-18	0
Purchase of property, plant and equipment	-16	-36
Disposal of consolidated companies less cash and cash equivalents transferred	-30	0
Cash flows from investing activities	-150	-103
Cash flows from financing activities		
Cash inflows from new (financial) loans	41,436	56,436
Payments for lease liabilities	-41	-39
Repayments of loans	-5,155	-8,345
Cash flows from financing activities	36,240	48,052
Net change in cash and cash equivalents	-2,333	13,195
Cash and cash equivalents as of 01/01	8,951	16,457
Cash and cash equivalents as of the end of the period	6,618	29,652

IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM JANUARY 1 TO MARCH 31, 2023

in € thousand	Equity attributable to equity holders of the parent company				Non-controlling interests	Total equity
	Subscribed capital	Reserves	Retained earnings	Total		
Balance as of 01/01/2022	186,764	-389,131	605,879	403,512	7,273	410,785
Profit/loss	0	0	-2,978	-2,978	169	-2,809
Balance as of 03/31/2022	186,764	-389,131	602,901	400,534	7,442	407,976
Balance as of 01/01/2023	186,764	-389,131	573,257	370,890	8,159	379,049
Profit/loss	0	0	-3,674	-3,674	-59	-3,733
Change in the scope of consolidation/disposal of shares	0	0	-9	-9	-83	-92
Balance as of 03/31/2023	186,764	-389,131	569,574	367,207	8,017	375,224

FINANCIAL CALENDAR

August 2023	Annual General Meeting
09/29/2023	Publication of half-yearly financial report
November 27–29, 2023	Deutsches Eigenkapitalforum
11/30/2023	Publication of quarterly statement (publication date Q3)

IMPRINT

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