HALF-YEAR FINANCIAL REPORT AS OF JUNE 30, 2023

GATEWAY
REAL ESTATE

AT A GLANCE

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KEY FINANCIAL INDICATORS

in € thousand	01/01–06/30/2023	01/01–06/30/2022
Financial performance indicators		
Revenue	4,871	5,186
Gross profit	88,571	53,061
EBIT adjusted	23,642	19,619
EBT	–10,746	–4,653
Consolidated profit/loss	–13,884	–5,179
Earnings per share in €	–0.07	–0.03
Financial position and liquidity ratios	**06/30/2023**	**12/31/2022**
Total assets	1,516,333	1,431,550
Equity	365,073	379,049
Equity ratio	24.1%	26.5%
Cash and cash equivalents	6,393	8,951
Net financial debt	929,387	835,292
Portfolio indicators	**06/30/2023**	**12/31/2022**
Average gross development volume (GDV) in € billion	6	6
Number of projects (as of end of June)	8	8

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

2023

OVERVIEW OVER THE FIRST SIX MONTHS

EBIT adjusted
reaches
€23.6 million
in the first half of 2023

Consolidated earnings
decline to
€–13.9 million
in the first half of 2023

Earnings per share
amount to
€–0.07
in the first half of 2023

GATEWAY
records **negative earnings**
in the first half

Gross development volume (GDV)
amounts to
€6 billion
as of June 30, 2023

Forecast for 2023:
EBIT adjusted of
€5–15 million
and EBT between
€–10 and
€0 million

ABOUT US

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

WE DEVELOP SUSTAINABLE AND MODERN LIVING QUARTERS USING WOOD CONSTRUCTION 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.

CONTENT

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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 €616 million (as of June 30, 2023). Established in 2006, GATEWAY and its subsidiaries can look back on extensive expertise in the German real estate market. The gross development volume (GDV) currently (as of June 30, 2023) amounts to more than €6 billion.

In this context, GATEWAY focuses on Germany's Top 9 cities such as 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. Apart from sales transactions, GATEWAY increasingly seeks to develop residential real estate for long-term holding and administration (build-to-hold) to generate sustainable rental revenues in the context of its extended corporate strategy. Accordingly, the Standing Assets and Residential Properties Development segments will be expanded further in the medium term.

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's metropolitan growth regions.

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.

2. BUSINESS DEVELOPMENT

In the first half of 2023, the existing project developments progressed 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 later in the first half of 2023.

At the same time, purchase agreements were entered into for new project developments.

The negotiations that were started in the previous year in relation to the extension of project financings led to an extension for the Cologne project until February 29, 2024. The negotiations for the Mannheim project finance are still ongoing.

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. Accordingly, Norbert Ketterer currently does not hold the number of voting rights required for a squeeze-out.

3. ECONOMIC FRAMEWORK

MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

CURRENT DEVELOPMENT

The economic environment in the first half of 2023 was primarily dominated by the war in Ukraine and the persistently high inflation. In June 2023, consumer price inflation in the eurozone was at approximately 5.5%. Inflation had already reached its peak of 10.6% in October 2022. Since then, inflation has declined, but still remains significantly above the ECB's target of around 2%. In the first half of 2023, the ECB responded with a total of four increases of its three key interest rates. The interest rate on the main refinancing operations rose from 2.5% in January to 4.0% on June 2, 2023. Another increase to now 4.5% was implemented on September 14, 2023.

According to Eurostat, the statistical office of the European Union, the seasonally adjusted gross domestic product (GDP) in the first quarter of 2023 remained unchanged from the previous quarter in the eurozone and increased by 0.2% in the EU. Growth in both the eurozone and the EU amounted to 1.1% compared to the first quarter of the previous year. According to preliminary estimates, seasonally adjusted GDP increased in the second quarter 2023 over the previous quarter by 0.3% in the eurozone and remained unchanged in the EU. Compared with the prior-year second quarter, seasonally adjusted GDP rose by 0.6% in the eurozone and by 0.5% in the EU.

FORECAST

In its July 2023 update, the International Monetary Fund (IMF) said it expects global growth to fall from an estimated 3.5% in 2022 to 3.0% in both 2023 and 2024. While the forecast for 2023 is slightly higher than predicted in the April 2023 World Economic Outlook (WEO), it remains weak by historical standards. The rise in central bank policy rates in an effort to fight inflation continues to weigh on economic activity. The ECB once again raised the interest rate for its main refinancing operations by 25 basis points. Global headline inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024.

The IMF praises the strong action by authorities to stabilize the banking sector in the United States and Switzerland at the beginning of the year. The resolution of the dispute over the U.S. debt ceiling also helped reduce the risk of turmoil on the financial markets. It remains difficult to assess the impact of the war in Ukraine, including, for example, on the development of food prices worldwide. The IMF is also concerned about the increasing number of extreme weather-related events and the elevated level of debt in many economies. The problems in China's domestic real estate sector are significantly dampening the country's economic growth as a driver of the global economy.

The IMF expects the eurozone's GDP to grow by 0.9% this year compared with the previous year, while a decline of 0.3% in economic output is expected for Germany.

SOCIODEMOGRAPHIC DEVELOPMENT

According to the German Federal Statistical Office, around 84.4 million people lived in Germany at the end of the first quarter of 2023. This is the highest population figure on record for Germany. This strong growth is due to high net immigration (positive balance of inward and outward migration). Accordingly, in 2022, almost 1.5 million more people immigrated to Germany than left the country. This means that the migration surplus was more than four times as high as in the previous year. This represents the highest net immigration recorded within a reporting year since 1950. Most of the immigrants were fleeing the war in Ukraine. Nevertheless, the immigration of people from other nations also increased significantly in 2022.

Excluding immigration, Germany's population would decrease since, according to the German Federal Statistical Office, 739,000 births are offset by around 1.06 million deaths. The number of births was 5.6% lower than the average for 2019 to 2021, while the number of deaths was 3.4% higher.

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

The number of private households will rise from currently 40.9 million to 42.6 million in 2040, according to calculations by the Federal Statistical Office. The reasons for this increase include the decline in marriages and births, increasing partnerships with separate dwellings, the continued aging of the population combined with improving physical conditions of older people who are able to live in their own household for a longer time, as well as increasing requirements with respect to occupational mobility, which is driving the trend of smaller households.

According to the Federal Statistical Office, just under 41% of private households in 2022 are one-person households, which is somewhat more than one in five of Germany's inhabitants. The share of households with five or more people fell to just under 4% in 2022. According to the projections, one-person households will increase from 17.3 million to 19.3 million between 2020 and 2040, while two-person households will increase from 14.0 million to 14.1 million. The number of households with three or more persons will decline from 10.1 million to 9.2 million.

ECONOMIC DEVELOPMENT IN GERMANY AND IN GATEWAY'S FOCUS CITIES

Germany's economic development in the first half of 2023 continued to be influenced by the war in Ukraine and persistently high inflation. According to the German Federal Statistical Office (Destatis), German economic output – adjusted for price and calendar effects – decreased year-on-year by 0.1% in the first quarter of 2023 and by 0.2% in the second quarter of 2023. The inflation rate in Germany was 6.4% in June 2023. Food and energy sources in particular became more expensive and accounted for the largest share of price increases.

By June 2023, the Federal Ministry of the Interior had registered around 1.1 million people who had fled to Germany to escape the war in Ukraine. The actual number of refugees could be higher, or lower due to onward travelers or returnees to Ukraine, because registration is voluntary. In the first half of 2023, migration from the Middle East and Africa to Europe increased. In the period from January to April 2023, a total of around 110,000 people applied for asylum in Germany, representing an increase of 78.4% compared to the same period in the previous year.

On the one hand, the high level of immigration is leading to higher demand from the public sector and private consumption, but on the other hand, municipalities are faced with major challenges in terms of accommodating immigrants. This has exacerbated the pressure on rental housing markets, which are already affected by insufficient levels of new construction.

Due to the weak economy and strong immigration to Germany, the German Federal Employment Agency registered an increase in the number of unemployed by 192,000 to 2,555,000 in June 2023 compared to June 2022. As a result, the unemployment rate increased to 5.5%, after 5.2% in June 2022.

Despite significantly higher wage settlements to offset general inflation, the German ifo Institute estimates that the high upward pressure on prices will continue to reduce private households' real incomes and thus consumption In the second half of the year, however, incomes are expected to rise again more strongly than prices, while private consumption should pick up.

Construction activity remains burdened by high construction prices and the rise in lending rates. The ifo Institute expects a moderate expansion in output for the manufacturing sector as order backlogs remain high. Stronger expansion is also expected again in the wake of slowly easing supply bottlenecks. Even though it has been possible to largely replace energy sources from Russia by other suppliers, energy prices remain high and are slowing down energy-intensive production sectors within the German industry. The threat of a gas shortage in Germany in the coming winter has not been completely averted.

The ifo Institute forecasts a –0.4% change in German GDP for 2023. The German Council of Economic Experts expects Germany's GDP to grow by 0.2% and an inflation rate of 6.6%. According to the ECB's projections, inflation will continue to fall in the eurozone in 2023 and will reach an average of 5.4%.

According to estimates by the ifo Institute, the number of unemployed will rise from 2.42 million to 2.55 million in 2023, but will fall back to 2.45 million as early as 2024. This means that the unemployment rate in 2023 would remain at the previous year's level of 5.3%. According to the forecast, the number of people in employment will increase from 45.57 million in the previous year to 45.95 million in 2023. For 2024, 46.07 million people are expected to be in employment.

Among the GATEWAY focus cities, Munich had the lowest unemployment rate, reaching 4.4% in July 2023 (–0.1 percentage points year-on-year). This was followed by Augsburg with a rate of 5.4% (–0.3 percentage points), Frankfurt am Main at 5.8% (–0.1 percentage points), and Dresden at an unchanged 6.1%. In Duesseldorf, the unemployment rate was 7.1% (+0.2 percentage points), followed by Mannheim at an unchanged 7.1%, Leipzig at 7.3% (+1.0 percentage points) and Hamburg at 7.5% (+0.4 percentage points). The highest unemployment rates were reported for Chemnitz (8.5%; +1.3 percentage points), Cologne (8.8%; +0.1 percentage points) and Berlin (9.1%; +0.1 percentage points).

DEVELOPMENT OF REAL ESTATE MARKETS

The German real estate markets continue to be characterized by the reluctance in the buying and selling of real estate According to JLL, transactions in the first half of 2023 totaled €14.9 billion, which roughly corresponds to the 2012 figure, but is 59% below the level in the first half of 2022. In the second quarter of 2023, the transaction volume amounted to €7.1 billion, which is even lower than the volume of €7.8 billion recorded in the first quarter of 2023. The major issue is the lack of larger transactions in the office sector and with regard to portfolios.

According to JLL, the weak market development is primarily attributable to the rise in interest rate levels. Market participants are unsettled by the ECB raising its rates in 2023 to now 4.25%, which makes it more difficult for potential investors to calculate yields. The pressure on real estate yields increases with each new interest rate hike because alternative investments become more attractive. As a result, prospective buyers in many places are no longer prepared to buy at previously set price levels. The rise in interest rates, which should be slowing but is nevertheless likely to continue in the second half of 2023, is also making banks more cautious in their lending business. However, high operating and refinancing costs for sellers are eroding previous expectations of achievable selling prices. However, price expectations of buyers and sellers continue to be too far off.

In the first half of the year, JLL observed a stronger focus among investors on value-add properties where there is potential to increase value by improving the tenant structure and the ESG standard. The corresponding examination of the properties is a longish process, so it can take a correspondingly long time until a deal is finally concluded. As a result of the continued high demand for residential properties and an increasing willingness to sell, JLL expects transaction volume for the full year 2023 to amount to around €40 billion. This is approximately 47% less than the average of the last ten years.

RESIDENTIAL REAL ESTATE MARKET

According to BNP Paribas Real Estate, the investment volume for residential real estate in the first half of 2023 amounted to only approximately €2.63 billion. This is a decline of 63% over the first half of the previous year. As a result, the reporting period was the weakest first half-year since 2011.

BNP Paribas Real Estate says that the lack of institutional investors in the market triggered transactions of smaller size compared to previous years. While large-volume existing portfolios account for around 52% of all purchases and sales on a 10-year average, their market share was just under 11% in the first half of 2023. Older existing properties, which have a market share of only 17% on a 10-year average, reached 46% in the reporting period. This is followed by project developments and forward deals with a share of 40%, which is above the 10-year average of 24%.

There were only four large-volume transactions with a volume of above €100 million in the first half of 2023. These transactions had a cumulative volume of €1.08 billion, with the major portion attributable to a partial sale of a residential portfolio from Vonovia to Apollo (Südewo portfolio). In contrast, the segment of mid-sized deals (€50–100 million) showed a much stronger momentum with a share of 21% (10-year average: 17%). The average investment volume per deal was only around €35 million. The share in the investment volume of the two strongest buyer groups – investment managers and family offices – was 26% and 22%, respectively, in the first half of 2023.

In the wake of the ECB's rate hikes, net prime yields for new build properties rose between 35 and 50 basis points in the second quarter of 2023. Munich remains the most expensive location (3.35%), followed by Berlin, Frankfurt am Main, Hamburg and Stuttgart at 3.40%. The current rate applicable for Duesseldorf and Cologne is 3.50%.

For the second half of 2023, BNP Paribas Real Estate expects the residential transaction market to pick up slightly. Further interest rate hikes may be in store as long as inflation continues to exceed the ECB's 2% target. Nevertheless, much of the rate hike cycle is likely to have already been completed. BNP Paribas Real Estate believes that when investors see interest rates stabilizing, they will switch back into investment mode. Above all, the very low volume of new construction means that significant rent increases can be expected, as demand tends to rise. As a result, rental yields are also likely to be seen as a positive factor for residential real estate again in the long term.

According to the Federal Statistical Office, rents in Germany continued to rise steadily in the first half of 2023. The index for the development of residential rents in Germany reached 105.1 points in June 2023. Compared with the base year 2020 (index = 100), this corresponds to an increase of around 5.1%. Rents are particularly high in Germany's major cities. The highest rents were recorded in Munich (more than €20 per square meter).

OFFICE MARKET

In the first half of 2023, investments in the German office market amounted to just under €3.2 billion, which is 75% below the comparable prior-year period, according to BNP Paribas Real Estate. Market observers primarily cite three reasons for the weak market. Firstly, potential buyers and sellers continue to look for the right price. The interest rate hikes implemented by the ECB have changed yield expectations so that purchasing decisions are being delayed. Secondly, there is a large uncertainty as regards the future of office properties after the years of the coronavirus pandemic 2020 and 2021. Reports from the United States indicating rising vacancies and an only very slow return of employees to the offices in metropolitan areas exacerbate investors' concerns. Thirdly, it is not unusual for many companies to be reluctant to lease office space due to the difficult overall economic situation and the technical recession in Germany. Take-up in the first half of 2023 was down 32% year-on-year. Investors are therefore uncertain about the short-term prospects for the office markets.

The seven A locations accounted for the majority of office investments in the first half of 2023, approximately €2.3 billion were invested in office properties, according to BNP Paribas Real Estate. This is a decline of almost 77% over 2022. Overall, there were only six transactions in the triple-digit million range. In Berlin, the transaction volume was €1.05 billion, followed by Hamburg (€363 million), Munich (€270 million) and Stuttgart (€239 million). Duesseldorf recorded a 87% decrease in take-up to €197 million. Declines were larger in Frankfurt am Main where sales of office properties amounted to only €122 million, representing a decrease by 95%. At only €69 million, the lowest investment volume in the first half of 2023 was recorded in Cologne.

According to BNP Paribas Real Estate, the share of large deals over €100 million was 44% in the first half of 2023, which is below the long-year average. Smaller properties with an investment volume of €25 million or less accounted for almost 22% of total take-up, after 5% in the first half of 2022.

According to BNP Paribas Real Estate, open-ended funds were the most important investor group in the German office property market with a share of almost 18% in the first six months of 2023. This is followed by special funds with a good 12%, ahead of private investors and property developers (11% each) as well as the public sector with just under 10%.

BNP Paribas Real Estate observed rising net prime yields in the wake of the ECB's interest rate hikes in the first half of 2023. They rose by an average of 30 basis points in the A locations, with Cologne recording the strongest increase of 40 basis points to 3.95%. The rise in prime yields was the lowest in Duesseldorf and Frankfurt am Main, both reaching 4.00%. Prime yields in Hamburg and Stuttgart amounted to 3.90%, followed by Berlin (3.75%). Munich was the most expensive location for office investments with a prime yield of 3.70%.

According to JLL figures, office take-up in the seven metropolitan areas was 1.16 million sqm in the first half of 2023, 40% lower than in the same period last year. High-quality space was in demand, while interest in B locations declined. The focus is primarily on energy efficiency, sustainability and the wellbeing of employees. Companies have become more cautious with new leases, tend to look for smaller premises and no longer accept every price. In the seven office strongholds, the decline in demand ranged from 15% in Frankfurt am Main to 70% in Stuttgart. For 2023 as a whole, JLL expects a take-up volume of around 2.8 million sqm, which would be a fifth less than in the previous year.

Although less office space is in demand and the size of office space required also has declined, JLL recorded vacant office space of around 5.17 million sqm in the seven German real estate strongholds, which is a rise of just under 15%. The vacancy rate at mid-year 2023 was 5.3%. At the same time, 834,000 sqm were sublet, i.e. 16% of the overall vacancy rate.

Although construction costs do not appear to be rising for the time being, they have reached an extremely high level, with numerous project developments being suspended as a result. Completions fell by 31% year-on-year to just under 660,000 sqm in the first half of 2023. For the year as a whole, JLL expects a completion volume of just under 1.5 million sqm, around 300,000 sqm less than in 2022.

The relatively small increase in vacancies combined with low completion rates has caused prime rents to rise. JLL observed a year-on-year increase in rents in all seven cities, with the growth rate ranging from 5% in Berlin to almost 27% in Duesseldorf.

4. FINANCIAL POSITION, CASH FLOWS, AND FINANCIAL PERFORMANCE

FINANCIAL POSITION

GATEWAY Group's total assets increased from €1,431.5 million as of December 31, 2022 by €84.8 million to a total of €1,516.3 million as of June 30, 2023.

On the assets side, the increase was primarily attributable to non-current assets, which rose by €79.1 million to a total of €378.6 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. In addition, current loan receivables of €21.9 million were reclassified to non-current assets due to contractual maturity extensions.

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

Despite material disposals of inventories in the wake of the abovementioned deconsolidation, inventories increased by €31.4 million, mainly as a result of changes in inventories of finished goods and work in progress in the amount of €75.1 million. In addition, due to the consummation 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 €3.7 million. Cash and cash equivalents declined by €2.6 million to €6.4 million.

Thus, current assets slightly increased by €5.7 million to €1,137.7 million.

In terms of liabilities, the Group's non-current liabilities amounted to €318.8 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 of €263.8 million (December 31, 2022: €383.8 million). The decrease by 31.3% mainly results from adjusting the maturities of loans.

Current liabilities totaled €832.5 million as of June 30, 2023 (December 31, 2022: €621.1 million). The largest portion of that amount (€643.1 million) refers to current financial liabilities (December 31, 2022: €432.0 million). The increase of €211.4 million primarily results from the adjustment of maturities as well as the increase of liabilities from accrued interest.

The GATEWAY Group's equity as of June 30, 2023 amounted to €365.1 million (December 31, 2022: €379.0 million). The decrease is the result of the consolidated total comprehensive loss of €13.9 million. Accordingly, the Group's equity ratio decreased slightly from 26.5% at the end of the prior year to now 24.1% as of June 30, 2023.

CASH FLOWS

The cash inflows and outflows in the first half of 2023 overall led to a decrease in cash as of June 30, 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. 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.

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CONDENSED CASH FLOW STATEMENT

in € thousand	01/01–06/30/2023	01/01–06/30/2022
Cash flows from operating activities	–68,408	–68,017
Cash flows from investing activities	–306	–177
Cash flows from financing activities	66,156	63,193
Net decrease/increase in cash and cash equivalents	**–2,558**	**–5,001**
Cash and cash equivalents as of 01/01	8,951	16,457
Cash and cash equivalents as of the end of the period	6,393	11,457

The negative cash flows from operating activities amounted to €–68.4 million in the first half of 2023. Cash outflows increased over the previous year's period only slightly by €0.4 million.

These cash outflows are primarily attributable to the significant increase in inventories by €86.1 million (H1 2022: €41.9 million) as a result of construction activities in relation to project developments. At the same time, however, cash outflows from the changes in trade and other payables declined by €17.6 million to €–5.0 million. The negative cash flows from investing activities mainly comprised payments for investments in investment properties.

The positive cash flows from financing activities in the amount of €66.2 million are attributable to new financial loans or drawdowns of financial loans in the amount of €80.3 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 €14.0 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 net decrease resulting from the cash flows in the first half of 2023 described above totaled €2.6 million, resulting in a reduction of cash and cash equivalents to €6.4 million as of June 30, 2023. As of the previous reporting date (December 31, 2022), cash and cash equivalents had amounted to €9.0 million.

FINANCIAL PERFORMANCE

In the first half of the fiscal year 2023, the Group of Gateway Real Estate AG generated revenues in a total amount of €4.9 million (H1 2022: €5.2 million). These mainly resulted from slightly declining lettings.

Gross profit amounted to €88.6 million (H1 2022: €53.1 million), which, in addition to the revenues mentioned above, comprises changes in inventories of finished goods and work in progress of €75.1 million (H1 2022: €41.1 million) – largely consisting of capitalized construction costs and construction period interest – and other operating income in a total amount of €8.5 million (H1 2022: €6.7 million).

Changes in inventories of finished goods and work in progress increased significantly over the prior-year period by an amount of €34.0 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 by €26.0 million over the prior-year period to €51.6 million and mainly consist of the construction costs of the inventory properties (€40.5 million), acquisition costs for land (€7.7 million) as well as management costs for the rented properties (€3.4 million). In the first half of 2023, the employee benefits expense rose by €0.4 million to €2.4 million. The fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale amounted to €0.2 million. Other operating expenses amounted to €10.7 million (H1 2022: €2.9 million) and include impairment losses of loan receivables in the amount of €3.5 million (H1 2022: €0.0 million). In the first half of 2023, GATEWAY achieved an overall operating profit of €23.6 million (H1 2022: €19.6 million).

Net finance costs in the first half of 2023 amounted to €–34.4 million (H1 2022: €–24.3 million) and include finance costs of €40.2 million (H1 2022: €28.0 million). Finance costs are partially offset by finance income in the amount of €5.8 million (H1 2022: €3.7 million).

Earnings before tax (EBT) amounted to €–10.7 million (H1 2022: €–4.7 million). After deducting income taxes of €3.1 million (H1 2022: €0.5 million), the consolidated loss for the first half of 2023 amounted to €–13.9 million (H1 2022: consolidated loss of €–5.2 million). This corresponds to basic earnings per share of €–0.07 (H1 2022: €–0.03) and diluted earnings per share of €–0.07 (H1 2022: €–0.03). EBIT adjusted amounted to €23.6 million (H1 2022: €19.6 million).

5. 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.

In terms of financing risk, the Group indicated possible risks from existing external financing and the associated rights of termination of the financing partners in the event of a significant deterioration in the Group's financial position and financial performance or non-compliance with certain loan covenants. In such a case, collateral might be realized by the relevant financing partner.

In the first half of 2023 and also after the reporting date, loan covenants were not complied with as interest was not paid when due. In some of these cases, we were able to achieve positive arrangements after the reporting date. Moreover, the Management Board has continued to hold constructive negotiations even after the reporting date.

In the following, the Management Board describes the individual financing issues, which are also mentioned in Notes 6.9 and 6.20.

A loan agreement with the senior lender (€100,526 thousand) was breached due to the failure in the preceding fiscal year to extend a junior financing arrangement (€143,578 thousand) for the Borussia Köln project development, which represents a termination event as defined in the continuing loan agreement. In addition, interest in the amount of €1,840 thousand was made due and payable for the senior financing, however, the related interest payments were not made by the reporting date. Collateral in the form of pledges of shares and land charges was provided for the senior financing. In addition, a guarantee was provided in the amount of €8,000 thousand. Negotiations for both financings were concluded successfully after the reporting date.

After the reporting date, both financings were extended until February 29, 2024 based on agreements dated September 11, 2023 and August 21, 2023. 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 provides 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.

Moreover, negotiations as regards the extension of the due and payable acquisition financing for the SoHo Mannheim project, which were started in the previous year, are currently ongoing. Collateral in the form of a guarantee in the amount of €15,000 thousand was provided for the acquisition financing in the amount of €75,441 thousand.

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 diversified project portfolio, the Management Board still does not see any impairment of the Group's development in the event of an individual realization of collateral.

The continued, 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. In order to take account of possible default risks of receivables in an appropriate way, the Management Board recognized valuation allowances for other financial receivables to cover such risks. (see Notes 6.4 and 6.20).

Additional recession risks result from the Russia-Ukraine crisis, which has led to a deterioration in the economic outlook and to rising inflationary pressures. The extent to which this crisis will have an impact on Germany's economic situation is currently not foreseeable. That said, an assessment of the market as well as of the real estate sector would be too imprecise at the moment.

As part of the half-year financial report, the Management Board of Gateway Real Estate AG would like to expressly point out that no external valuation of our properties and development projects was conducted as of 30 June 2023. Such a valuation is regularly conducted at the end of the respective fiscal year. The most recent external valuation was made in the context of the financial statements for the period ended December 31, 2022.

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 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.

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.

6. 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 sales velocity, in particular as a result of 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 half of 2023, the Management Board confirms this forecast.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2023

IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2023

ASSETS

in € thousand	Note	06/30/2023	12/31/2022
Non-current assets			
Intangible assets and goodwill	6.1	9,789	9,789
Property, plant and equipment		1	4
Investment properties	6.2	271,227	271,170
Non-current trade receivables		142	142
Other non-current financial assets	6.4	87,047	5,946
Other non-current non-financial assets	6.4	2,140	2,234
Deferred tax assets		8,265	10,270
		378,611	**299,555**
Current assets			
Inventories	6.3	913,388	881,989
Trade receivables		1,716	1,916
Income tax receivables		569	2,140
Other financial assets	6.4	147,436	165,042
Other non-financial assets	6.4	68,220	71,957
Cash and cash equivalents	6.5	6,393	8,951
		1,137,722	**1,131,995**
		1,516,333	**1,431,550**

EQUITY AND LIABILITIES

in € thousand	Note	06/30/2023	12/31/2022
Equity			
Subscribed capital	6.7	186,764	186,764
Reserves	6.7	–389,131	–389,131
Retained earnings	6.7	559,063	573,257
Non-controlling interests	6.7	8,377	8,159
		365,073	**379,049**
Non-current liabilities			
Non-current financial liabilities	6.9	263,821	383,841
Deferred tax liabilities		50,351	46,370
Other non-current financial liabilities		639	1,144
Other non-current non-financial liabilities		3,934	0
		318,745	**431,355**
Current liabilities			
Other current provisions	6.8	4,081	0
Current financial liabilities	6.9	643,069	432,020
Income tax liabilities		5,178	5,824
Trade payables		150,277	154,466
Other financial liabilities		28,251	27,237
Other non-financial liabilities		1,659	1,599
		832,515	**621,146**
		1,516,333	**1,431,550**

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM JANUARY 01 TO JUNE 30, 2023

in € thousand	Note	01/01 – 06/30/2023	01/01 – 06/30/2022
Revenue	6.11	4,871	5,186
Changes in inventories of finished goods and work in progress	6.12	75,152	41,132
Other operating income	6.14	8,548	6,743
Gross profit		**88,571**	**53,061**
Raw materials and consumables used	6.13	–51,567	–25,564
Employee benefits expense		–2,437	–2,039
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale		–167	–2,727
Depreciation and amortization expense		–89	–171
Other operating expenses	6.14	–10,669	–2,940
Operating profit		**23,642**	**19,620**
Finance income		5,846	3,684
Finance costs		–40,234	–27,956
Net finance costs	6.15	**–34,388**	**–24,271**
Profit/loss before tax		**–10,746**	**–4,652**
Income tax expense	6.16	–3,138	–526
Profit/loss for the period		**–13,884**	**–5,178**
Other comprehensive income/loss		0	0
Total comprehensive income/loss for the period		**–13,884**	**–5,178**
Attributable to equity holders of the parent company		–14,185	–5,639
Attributable to non-controlling interests		301	461
Earnings per share (basic)	6.17	–0.07	–0.03
Earnings per share (diluted)	6.17	–0.07	–0.03

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM APRIL 01 TO JUNE 30, 2023

in € thousand	Note	04/01–06/30/2023	04/01–06/30/2022
Revenue	6.11	2,931	2,838
Changes in inventories of finished goods and work in progress	6.12	37,845	21,595
Other operating income	6.14	6,182	3,570
Gross profit		**46,958**	**28,003**
Raw materials and consumables used	6.13	–24,980	–14,255
Employee benefits expense		–1,294	–1,072
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale		–83	–2,665
Depreciation and amortization expense		–18	–84
Other operating expenses	6.14	–9,404	–1,339
Operating profit		**11,179**	**8,588**
Finance income		3,162	1,892
Finance costs		–22,956	–14,149
Net finance costs	6.15	**–19,794**	**–12,257**
Profit/loss before tax		**–8,615**	**–3,669**
Income tax expense	6.16	–1,536	1,299
Profit/loss for the period		**–10,151**	**–2,370**
Other comprehensive income/loss		0	0
Total comprehensive income/loss for the period		**–10,151**	**–2,370**
Attributable to equity holders of the parent company		–10,511	–2,662
Attributable to non-controlling interests		360	292
Earnings per share (basic)	6.17	–0.07	–0.01
Earnings per share (diluted)	6.17	–0.07	–0.01

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS

FROM JANUARY 01 TO JUNE 30, 2023

in € thousand	Note	01/01–06/30/2023	01/01–06/30/2022
Cash flows from operating activities			
Total comprehensive income/loss for the period		–13,884	–5,179
Adjustments for			
Amortization of intangible assets		17	32
Depreciation of property, plant and equipment		72	139
Changes in fair value of investment properties and valuation of properties held as inventory	6.2	167	127
Changes in fair value of non-current assets held for sale (properties)	6.6	0	2,600
Impairment on trade receivables		40	35
Other non-cash expenses/income		–1,404	–6,382
Tax expenses	6.15	3,138	526
Net finance costs	6.14	34,388	24,272
Changes in:			
Inventories		–86,147	–41,884
Trade receivables and other receivables		158	–297
Other financial assets		–582	–9,986
Non-financial assets		9,143	–1,103
Trade payables and other payables		–4,977	–22,540
Non-financial liabilities		4,000	–455
Changes in other financial liabilities		755	–22
Interest paid		–14,087	–8,057
Income taxes received		1,579	1,916
Income taxes paid		–784	–1,759
Cash flows from operating activities		**–68,408**	**–68,017**
Cash flows from investing activities			
Payments for investments in investment properties		–225	–133
Purchase of intangible assets		–17	–67
Purchase of property, plant and equipment		–34	–62
Payments for additions to consolidation group less cash and cash equivalents acquired		0	85
Sale of consolidated companies less cash and cash equivalents transferred		–30	0
Cash flows from investing activities		**–306**	**–177**
Cash flows from financing activities			
Cash inflows from new (financial) loans		80,292	90,300
Payments for lease liabilities		–81	–174
Repayments of loans		–14,055	–26,933
Cash flows from financing activities		**66,156**	**63,193**
Net change in cash and cash equivalents		**–2,558**	**–5,001**
Cash and cash equivalents as of 01/01	6.5	8,951	16,457
Cash and cash equivalents as of the end of the period	6.5	**6,393**	**11,457**

IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM JANUARY 01 TO JUNE 30, 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	6.7	0	0	–5,639	–5,639	461	–5,178
Change in the scope of consolidation/disposal of shares		0	0	0	0	–68	–68
Balance as of 06/30/2022		**186,764**	**–389,131**	**600,239**	**397,872**	**7,666**	**405,538**
Balance as of 01/01/2023		**186,764**	**–389,131**	**573,257**	**370,890**	**8,159**	**379,049**
Profit/loss	6.7	0	0	–14,185	–14,185	301	–13,884
Change in the scope of consolidation/disposal of shares		0	0	–9	–9	–83	–92
Balance as of 06/30/2023		**186,764**	**–389,131**	**559,063**	**356,696**	**8,377**	**365,073**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2023

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 leading listed developer of residential real estate and urban quarters in Germany, using resource-saving wood construction methods, with a market capitalization of around €616 million (as of June 30, 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 June 30, 2023) amounts to more than €6 billion.

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

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

The interim consolidated financial statements as of June 30, 2023 were prepared by the Management Board on September 29, 2023 and released for publication.

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 interim consolidated financial statements were prepared based on International Financial Reporting Standards (IFRS), as adopted by the European Union for interim financial statements in accordance with IAS 34.

The interim consolidated financial statements do not comprise all disclosures required for consolidated financial statements in accordance with IFRS and should therefore be read in conjunction with the consolidated financial statements as of December 31, 2022. These consolidated financial statements represent the basis for the present interim financial statements.

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

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

GATEWAY prepares its consolidated interim 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. Amounts are generally 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.

The interim consolidated financial statements are to be read in conjunction with the audited and published IFRS consolidated financial statements as of December 31, 2022 and the notes included therein. The accounting policies used by the Group for the present interim consolidated financial statements generally correspond to the policies applied in the 2022 consolidated financial statements.

2.2 FINANCIAL REPORTING RULES

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

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Standard	Content	Mandatory first-time application for fiscal years beginning on or after
IFRS 17	Recognition, measurement, presentation and disclosures of insurance contracts Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01/01/2023
Amendments to IAS 8	Changes in Estimates	01/01/2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	01/01/2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023

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 Standard 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		
None		
Standards not yet endorsed by the EU and not yet required to be applied		
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	01/01/2024
Amendments to IAS 1	— Classification of Liabilities as Current or Non-current — Classification of Liabilities as Current or Non-current – Deferral of Effective Date — Non-current Liabilities with Covenants	01/01/2024
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules	tbd
Amendments to IAS 7 and IFRS 7	Disclosures – Supplier Finance Arrangements	tbd

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 SIGNIFICANT CHANGES IN THE SCOPE OF CONSOLIDATION

A. 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 €59,129 thousand. Deferred tax assets decline by €3,012 thousand on Group level.

B. 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.

C. 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.

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.

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 for the first half is presented in the table below:

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EQUITY RATIO

in € thousand	06/30/2023	12/31/2022
Equity	365,073	379,049
Total assets	1,516,333	1,431,550
Equity ratio (in %)	24.1	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.

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FINANCIAL ASSETS

						06/30/2023
	Carrying amount in € thousand				Fair value in € thousand	Level of fair value hierarchy
	Mandatorily at FVtPL	Financial assets – FVtOCI	Financial assets – AmC	Financial liabilities – AmC		
Financial assets measured at fair value						
Equity investments	2,617	0	0	0	2,617	3
Total	**2,617**	**0**	**0**	**0**	**2,617**	
Financial assets not measured at fair value						
Trade receivables	0	0	1,858	0	1,858	
Other receivables	0	0	9,597	0	9,597	
Contract assets	0	0	1,374	0	1,374	
Loans	0	0	220,732	0	220,732	
Security deposits for leased office space	0	0	164	0	164	
Cash and cash equivalents	0	0	6,393	0	6,393	
Total	**0**	**0**	**240,118**	**0**	**240,118**	
Total financial assets	**2,617**	**0**	**240,118**	**0**	**242,735**	

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FINANCIAL LIABILITIES

				06/30/2023
	Carrying amount in € thousand		Fair value in € thousand	Level of fair value hierarchy
	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	382,901	381,823	2
Liabilities to related companies	0	116,994	116,994	2
Liabilities to third parties from corporate bonds	0	220,545	216,697	2
Liabilities to third parties from exchange-listed corporate bonds	0	69,732	64,032	1
Loan liabilities to third parties	0	183,874	185,116	2
Trade payables	0	98,363	98,363	2
Other financial liabilities	0	12,630	12,630	
Lease liabilities	0	240	n/a	
Contract liabilities	0	539	539	
Total	**0**	**1,085,818**	**1,076,194**	
Total financial liabilities	**236**	**1,085,818***	**1,076,430**	

* 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 €1,085,579 thousand.

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FINANCIAL ASSETS

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

—

FINANCIAL LIABILITIES

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

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

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)

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.

—

in € thousand	Equity investments FVtPL
Balance as of 01/01/2022	**2,582**
Gains (losses) recognized in finance costs	0
Additions	0
Disposals from consolidation group	0
Balance as of 12/31/2022	**2,582**
Gains (losses) recognized in finance costs	0
Additions	0
Disposals	0
Reclassification	35
Balance as of 06/30/2023	**2,617**

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

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

— With respect to the properties held by the Group, the Management Board must decide at every reporting date whether they should be held on a long-term basis to earn rentals or for capital appreciation or both or for sale. Depending on this decision, the properties are accounted for as land with unfinished and finished buildings intended for sale (inventories) or as non-current assets intended for sale, in accordance with the principles for investment properties, and measured at (amortized) cost or fair value, depending on the classification. We refer to Notes 6.2 and 6.6.

— 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. We refer to Note 6.2.

— In accordance with IAS 34 in conjunction with IAS 12, the income tax expense is determined as of the end of the quarter on the basis of the best estimate of the weighted average income tax rate expected for the full fiscal year 2023. The tax rate projected for the full year is determined on the basis of the currently applicable corporate planning, taking into account various assumptions and estimates. Accordingly, there are uncertainties related to the interpretation of tax regulations. 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. Therefore, differences between the actual results and our assumptions as well as future changes in our estimates can occur, which may lead to changes of the taxable profit in future periods. We refer to Note 6.16.

— Various assumptions need to be made with respect to other provisions, including for example with respect to occurrence probabilities and the utilization amounts of provisions for litigation risks. All information available at the time of preparing the financial statements was considered for this purpose. As of the reporting date, other current provisions amounted to €3,981 thousand (previous year: €0 thousand) and refer to current litigation risk, among other things. The measurement of the provisions takes into account knowledge of the current state of the litigation as well as the assessment of the Management Board. We refer to Note 6.8.

— 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.

— 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 our industry, the Management Board believes that the credit risk for certain receivables from companies of our industry is not low. Against this backdrop, loss allowances were recorded for the receivables reported as current other financial assets with a carrying amount of €135,455 thousand on the basis of the expected credit loss model. Specifically, the Group applied the following model: The expected loss rates are derived from external credit information and ratings of peer group companies . The information is updated on a quarterly basis. We refer to Notes 6.4 and 6.19.

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. The adjusted EBIT 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; 71.1% of this revenue is attributable to the Standing Assets segment, 21.3% to the Commercial Properties Development segment and 7.6% to the Residential Properties Development segment. Revenue of the Residential Properties Development segment refers to interim rentals of development projects. Revenue from third parties in the Standing Assets segment mainly refers to rental revenue from investment properties held as financial investments and held for sale.

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

Segment assets include all the Group's assets, and segment liabilities include all the Group's provisions and liabilities.

—

					06/30/2023
in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
Revenue from third parties (external revenue)	3,462	1,040	369	0	4,871
Intersegment revenue (internal revenue)	6	0	2	–8	0
Revenue	**3,468**	**1,040**	**371**	**–8**	**4,871**
Segment result (operating profit)	–7,221	8,973	25,346	–3,456	23,642
Net finance costs	3,552	–8,045	–30,005	110	–34,388
Profit/loss before tax	–3,669	927	–4,658	–3,346	–10,746

—

					06/30/2022
in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
Revenue from third parties (external revenue)	4,773	0	413	0	5,186
Intersegment revenue (internal revenue)	235	0	0	–235	0
Revenue	**5,008**	**0**	**413**	**–235**	**5,186**
Segment result (operating profit)	–4,435	4,621	22,721	–3,288	19,619
Net finance costs	2,149	–3,629	–22,792	0	–24,272
Profit/loss before tax	–2,286	993	–72	–3,288	–4,653

—

					06/30/2023
in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
Segment assets	716,536	283,243	738,350	–221,796	1,516,333
Segment liabilities	394,782	281,319	687,423	–212,264	1,151,260

—

					12/31/2022
in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
Segment assets	684,933	243,783	754,098	–261,053	1,421,761
Segment liabilities	362,614	242,450	694,422	–246,985	1,052,501

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

6.1 INTANGIBLE ASSETS

Intangible assets can be broken down as follows:

—

in € thousand	06/30/2023	12/31/2022
Goodwill	9,789	9,789
Total	**9,789**	**9,789**

€9,789 thousand are allocated to the group of CGUs "Residential Properties Development".

6.2 INVESTMENT PROPERTIES

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

—

in € thousand	
Balance as of 12/31/2022	**271,170**
Subsequent production costs	224
Changes in market value	–167
Balance as of 06/30/2023	**271,227**

In order to better estimate the effects from investment properties on income and expenses arising from operating activities, significant amounts recognized in the statement of profit or loss are shown here only for the investment properties:

—

in € thousand	06/30/2023	06/30/2022
Rental revenues	2,966	2,357
Revenues from operating costs	814	1,495
Revenues from cost charges to others and building cost subsidies	1	9
Administration costs (operating costs, maintenance, administration, etc.)	–2,211	–2,036
Total	**1,570**	**1,824**
Thereof fair value Level 3	1,570	1,824

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

The fair values of the properties are based on an appraisal as of December 31, 2022. Accordingly, the determination of the fair values was generally based on Level 3 input factors, i.e., factors not based on observable market data (unobservable input factors).

6.3 INVENTORIES

The Group's inventories as of the reporting date consisted of the capitalized construction costs (including construction period interest) of inventory properties, which are measured at the lower of amortized cost or net realizable value in accordance with IAS 2. Construction period interest in the amount of €25,939 thousand was capitalized as part of the construction costs in the first half of 2023.

The total carrying amount of all inventory properties as of June 30, 2023 was €913,388 thousand. Following the deconsolidation of the Group company SKE Immo Sulzbach GmbH (S.à r.l.) on February 20, 2023, inventories were reduced by €54,748 thousand. As of the reporting date, inventory properties mainly comprise the companies Projektentwicklung Borussia Köln Deutz Quartiere (€407,647 thousand), Storkower Straße 142–146 PE GmbH (€124,186 thousand), Revaler Straße 32 PE GmbH (€100,387 thousand) as well as Projektentwicklung Borussia Dresden Blüherpark (€98,965 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. The project development of Storkower Str. 142–146 GmbH is scheduled to be completed already in the fourth quarter of 2023.

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. Please also refer to Note 6.20.

The city of Hamburg exercised its pre-emptive right in relation to the Hamburg Seevestraße project development at the end of 2022. Negotiations continued even in the first half of 2023.

The development of inventories is presented in the table below:

—

in € thousand	06/30/2023	12/31/2022
Projektentwicklung Borussia Köln Deutz	407,647	391,876
Storkower Straße 142–146 PE GmbH	124,186	108,817
Revaler Straße 32 PE GmbH	100,387	85,494
Projektentwicklung Borussia Dresden Blüherpark	98,965	94,228
Projektentwicklung Soho Mannheim	50,364	23,824
Storkower Straße 140 PE GmbH	40,561	33,573
Beteiligungsgesellschaft Berlin Heinersdorf GmbH	38,125	37,290
Projektentwicklung Hamburg Seevestraße	37,405	37,257
Baufeld 23 Entwicklungs GmbH	8,569	8,569
Projektentwicklung Chemnitz	6,453	6,309
Projektentwicklung Burg	620	0
Projektentwicklung Soest	106	0
SKE Immo Sulzbach GmbH (S.à r.l.)	0	54,748
Total	**913,388**	**881,984**

6.4 OTHER ASSETS

Other assets mainly comprised the following items:

—

in € thousand	06/30/2023	12/31/2022
Other financial assets		
Loans – at amortized cost	220,732	160,910
thereof to related parties	127,085	126,820
Other receivables – at amortized cost	9,596	6,268
thereof to related parties	8,052	5,033
Equity investments – measured at FVtPL	2,617	2,607
Contract assets	1,374	1,068
Security deposits	164	135
Total	**234,483**	**170,988**
thereof non-current	87,047	5,946
thereof current	147,436	165,042
Other non-financial assets		
Other assets	63,839	67,351
Prepaid expenses	1,230	222
Tenant incentives	2,140	2,234
Value added tax credits	3,151	4,384
Total	**70,360**	**74,191**
thereof non-current	2,140	2,234
thereof current	68,220	71,957

The increase in other financial assets by €63,495 thousand over the previous year is mainly the result of 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. The increase is also due to the accrued interest receivables.

The decline of other non-financial assets by €3,831 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.

As a result of expected credit losses due to credit risks that are not low, an impairment was recognized as a loss allowance for the receivables from IMFARR Beteiligungs GmbH, Austria, and from YN Beteiligungen AG, Switzerland, which are reported at amortized cost under loans. The impairment recognized amounted to €1,744 thousand for both receivables. Please also refer to Notes 4 and 6.19.

6.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly consisted of overnight bank deposits and amounted to €6,393 thousand as of June 30, 2023 (December 31, 2022: €8,951 thousand).

6.6 ASSETS HELD FOR SALE

This item is not reported in the current reporting period as a result of the successful disposal of all properties included in the item “Non-current assets held for sale”. For further details, we refer to the 2022 Annual Report, Note 6.8 on page 105.

The following table shows income and expenses in connection with assets held for sale:

—

in € thousand	06/30/2023	06/30/2022
Rental revenues	0	470
Revenues from operating costs	230	156
Revenues from cost charges to others and building cost subsidies	0	95
Administration costs (operating costs, maintenance, administration, etc.)	–251	–341
Total	**–21**	**380**

The result reported in the period under review is negative due to operating cost settlements incurred.

6.7 EQUITY

As of June 30, 2023, the share capital is unchanged at €186,764,040 and is divided into 186,764,040 no-par-value bearer shares with a notional value in the share capital of €1 per share.

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

6.8 OTHER PROVISIONS

Other provisions are composed of the following:

—

in € thousand	06/30/2023	06/30/2022
Non-current provisions	**0**	**0**
Current provisions		
Other provisions (remaining term < 1 year)	4,081	0
Total	**4,081**	**0**

The increase in other current provisions by €4,081 thousand is entirely attributable to additions for litigation costs in connection with ongoing legal disputes (€581 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.

6.9 FINANCIAL LIABILITIES

Financial liabilities break down as follows:

—

in € thousand	06/30/2023	12/31/2022
Non-current financial liabilities		
Liabilities to third parties	110,500	110,744
Liabilities to banks	83,628	183,318
Liabilities to third parties from bonds	69,693	69,693
Liabilities to related parties	0	20,086
Total	**263,821**	**383,841**
Current financial liabilities		
Liabilities to banks	299,273	158,951
Liabilities to third parties from bonds	220,584	199,863
Liabilities to third parties	73,374	72,106
Liabilities to related parties	49,838	1,100
Total	**643,069**	**432,020**

The terms of the non-current financial liabilities in the amount of €263,821 thousand are longer than one year. The decrease of the non-current financial liabilities by €120,020 thousand primarily results from reclassifications from current items as maturities were adjusted.

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 development projects. The increase of current financial liabilities is mainly the result of the adjustment of maturities mentioned above and of the utilization of the credit facilities of Berliner Sparkasse for financings of building construction activities in the Berlin project companies Storkower Str. 142–146 PE GmbH (€13,151 thousand), Revaler Straße 32 PE GmbH (€15,801 thousand) and Storkower Str. 140 PE GmbH (€7,277 thousand) as well as new loans granted by the related company SN Beteiligungen Holding AG in a total amount of €27,548 thousand.

Financial liabilities in the amount of €749,587 thousand are secured by land charges and additional collateral such as guarantees and pledges of company shares. In case payment obligations are not met, this collateral provided is used to satisfy the claims of creditors.

A loan agreement with the senior lender (€100,526 thousand) was breached due to the failure in the preceding fiscal year to extend a junior financing arrangement (€143,578 thousand) for the Borussia Köln project development, which represents a termination event as defined in the continuing loan agreement. In addition, interest in the amount of €1,840 thousand was made due and payable for the senior financing, however, the related interest payments were not made by the reporting date. Collateral in the form of pledges of shares and land charges was provided for the senior financing. In addition, a guarantee was provided in the amount of €8,000 thousand. Negotiations for both financings were concluded successfully after the reporting date. Please refer to Note 6.20.

Moreover, negotiations as regards the extension of the due and payable acquisition financing for the SoHo Mannheim project, which were started in the previous year, are currently ongoing. Collateral in the form of a guarantee in the amount of €15,000 thousand was provided for the acquisition financing in the amount of €75,441 thousand.

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.

Please refer to the related discussion in the Report on Risks and Opportunities.

Other than that, there were no further breaches during the reporting year. However, in this respect, we refer to the breaches of contract after the reporting date as mentioned in Note 6.20.

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.

6.10 TRADE PAYABLES AND OTHER PAYABLES

Trade payables in the amount of €150,276 thousand (previous year: €141,057 thousand) mainly comprise the outstanding purchase price liabilities for acquired land assumed as part of the acquisition of the project company in Cologne in the amount of €59.1 million and the outstanding liability of €51.9 million from the purchase of shares in Borussia Development GmbH.

Moreover, this item includes outstanding liabilities for soil remediation and demolition works in the amount of €7.9 million, which have already become due and payable. A bad debt insurance of an amount of €5.0 million was entered into, and subsequently claimed after the reporting date. Please refer to Note 6.20.

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

—

OTHER FINANCIAL LIABILITIES

in € thousand	06/30/2023	12/31/2022
Lease liabilities	240	282
Contract liabilities	766	135
Liabilities, non-controlling interests	236	754
Security deposits received	173	188
Other	27,475	27,022
thereof to related parties	15,246	14,824
	28,890	**28,381**
thereof non-current	639	1,144
thereof current	28,251	27,237

In the first half of the fiscal year, liabilities to non-controlling interests decreased due to the full acquisition of the minority interests in the consolidated subsidiary Gateway Fünfte GmbH. In February 2023, this subsidiary was merged with the subsidiary Gateway Achte GmbH.

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.

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

—

OTHER NON-FINANCIAL LIABILITIES

in € thousand	06/30/2023	12/31/2022
Liabilities for personnel	1,032	1,032
VAT liabilities	71	63
Deferred income	3,988	21
Other	502	483
	5,593	**1,599**
thereof non-current	3,934	1,599
thereof current	1,659	0

Deferred income includes an unconditional tenant subsidy (echter Mieterzuschuss) for the Berlin project development Storkower Str. 142–146. The commercial property is about to be completed (scheduled for November 2023) and is already being marketed successfully. This construction subsidy in a total amount of €4.6 million is reversed on a straight-line basis over the lease term of 10 years, thus increasing rental revenues.

6.11 REVENUE

The Group generated revenue of €4,871 thousand in the period from January 1 to June 30, 2023. GATEWAY mainly generates revenues from the rental of investment properties and inventory properties, the sale of inventory properties, and the provision of services.

In the first half of 2023, a rental agreement was entered into for the standing asset in Dresden for a term of 10 years.

Operating cost settlements and building subsidies received are other revenue sources. Specifically, revenues break down as follows:

—

in € thousand	Q1–Q2 2023	Q1–Q2 2022
Rental revenues in accordance with IFRS 16		
Rental revenues from investment properties	3,388	2,517
Rental revenues on inventory properties	1,185	313
Rental revenues from sub-letting	3	3
Rental revenues from IFRS 5 properties	0	470
	4,576	**3,303**
Rental revenues in accordance with IFRS 15		
Revenues from operating costs	1,069	1,620
Revenues from operating costs – IFRS 5 properties	230	156
Revenues from cost charges to others and building cost subsidies	6	105
Revenues from services	–1,027	1
Other	17	0
	295	**1,883**
thereof over time	289	1,777
thereof at a point in time	6	105
Total	**4,871**	**5,186**

—

in € thousand	06/30/2023	06/30/2022
Receivables included in trade and other receivables	0	0
Receivables included in held-for-sale assets	0	0
Contract assets	0	0
Contract liabilities	539	0

Of the overall revenue, €295 thousand fall under the scope of IFRS 15 and €4,576 thousand fall under the scope of IFRS 16. With respect to revenue under the scope of IFRS 15, with the exception of revenues from services (management services agreements), forward sales and operating costs, revenue is recognized at a certain point in time.

6.12 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 €25,956 thousand (June 30, 2022: €18,582 thousand) in capitalized interest on borrowed capital. The major changes in inventories arise from the projects SoHo Mannheim (€18,844 thousand), Borussia Köln (€15,772 thousand), Storkower Straße 142–146 PE GmbH (€15,369 thousand) and Revaler Straße 32 PE GmbH (€11,657 thousand).

—

in € thousand	Q1–Q2 2023	Q1–Q2 2022
Increase in inventory due to purchase of properties, construction activity and capitalization of interest on borrowed capital	75,152	41,132
Total	**75,152**	**41,132**

6.13 RAW MATERIALS AND CONSUMABLES USED

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

—

in € thousand	Q1–Q2 2023	Q1–Q2 2022
Land	7,719	116
Construction costs	27,968	11,522
Project development costs	9,322	6,016
Other ancillary construction costs	3,161	4,703
Administration costs	3,397	3,207
Total	**51,567**	**25,564**

Construction costs, which increased in 2023, primarily resulted from the companies Revaler Straße 32 PE (€8,390 thousand), Storkower Straße 142–146 PE GmbH (€11,094 thousand) as well as S8 Chelsea Quartier GmbH & Co. KG (€4,560 thousand). The higher costs of land in 2023 mainly result from the acquisition of the Mannheim plot of S8 Chelsea Quartier GmbH & Co. KG (€7,288 thousand).

6.14 OTHER OPERATING INCOME AND EXPENSES

Other operating income includes the following amounts:

—

in € thousand	Q1–Q2 2023	Q1–Q2 2022
Capitalization of interest	4,258	6,316
Recourse claim for utilization of guarantee	3,500	0
Income from insurance benefits	150	5
Income from the reduction of liabilities	136	357
Other prior-period income	4	65
Other	500	14
Total	**8,548**	**6,757**

Capitalization of interest resulted from interest on the entitlement to transfer real estate from a land purchase agreement 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 a corresponding 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	Q1–Q2 2023	Q1–Q2 2022
Specific valuation allowances and bad debt losses	3,529	35
Utilization of guarantee	3,500	0
Legal and consulting expenses	1,049	828
Accounting, financial statements and auditing expenses	292	234
Non-deductible input tax	263	418
Lease expenses	247	2
Expenses for insurance, premiums and dues	199	258
Travel expenses	119	102
IT expenses	108	79
Selling expenses	102	320
Remuneration of the Supervisory Board	65	–6
Non-lease component in accordance with IFRS 16 (lessee)	51	46
Payment transaction costs and other financing expenses	43	45
Other tax expenses	15	41
Continuing education expenses	13	5
Administrative expenses	5	3
Other	1,069	530
Total	**10,669**	**2,940**

As a result of expected credit losses due to credit risks that are not low, an impairment was recognized as a loss allowance for loans recognized at amortized cost in a total amount of €3,488 thousand. Please also refer to Notes 4. and 6.19.

6.15 NET FINANCE COSTS

Net finance costs can be broken down as follows:

—

in € thousand	Q1–Q2 2023	Q1–Q2 2022
Finance income	5,846	3,684
Interest expenses for leases	–4	–8
Finance costs	–40,230	–27,947
Total	**–34,388**	**–24,271**

The finance costs predominantly result from borrowings to finance the development projects as well as standing assets. An amount of €25,956 thousand of these interest expenses was capitalized (see Note 6.12).

6.16 INCOME TAX EXPENSE

The income tax expense for the first half of 2023 amounted to €3,138 thousand (H1 2022: €526 thousand). The effective tax rate is negative (–29.2%), mainly due to effects from deferred tax liabilities as a result of the capitalization of items.

6.17 EARNINGS PER SHARE

Basic and diluted earnings per share are as follows:

in €	Q1–Q2 2023	Q1–Q2 2022
Earnings per share	**–0.07**	**–0.03**

The basic earnings per share are calculated as the quotient of earnings attributable to the shareholders of the parent company and the average number of shares outstanding during the financial year.

The calculation basis for earnings per share is summarized in the following table. Basic earnings per share correspond to diluted earnings per share since there are no dilution effects.

ATTRIBUTION OF PROFIT TO COMMON SHAREHOLDERS

in € thousand	Q1–Q2 2023	Q1–Q2 2022
Profit attributable to owners of the parent company	–14,185	–5,639
Profit attributable to holders of common shares	–14,185	–5,639

in thousands of shares	Q1–Q2 2023	Q1–Q2 2022
Common shares outstanding	186,764	186,764

6.18 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

The following section presents new facts with respect to the contingencies existing as of June 30, 2023. In this context, we also refer to the explanations on contingent liabilities and other financial obligations existing as of December 31, 2022 on pages 115 et seq. of the 2022 Annual Report.

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, is also re-transferred in accordance with the share purchase and assignment agreement (also see Note 6.19 Related party transactions). The assignment of the sold shares is subject to the condition precedent that the purchase price of €22,475 is paid in full. At the same time, the Company undertakes to assume accrued financing interests of Baufeld 23 Entwicklungs GmbH in the amount of €500 thousand and to transfer loans previously granted in the amount of €957 thousand to reserves. The originally planned assumption 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 confirmed rescission.

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. The amount of collateral has now been limited by the creditors to €25.0 million by way of a letter dated June 21, 2023.

6.19 RELATED PARTY TRANSACTIONS

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.

C. TRANSACTIONS BETWEEN THE COMPANY AND YN BETEILIGUNGEN HOLDING AG

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 10.62%.

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.

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.

Gateway Real Estate AG sold all the shares in Development Partner AG, Duesseldorf, by way of a share purchase and transfer agreement dated February 3, 2021. The acquirers are, at equal shares, IMFARR Beteiligungs GmbH, Austria, and YN Beteiligungen Holding AG. 50% of the purchase price for the shares attributable to YN Beteiligungen Holding AG, Switzerland, amounted to €47.3 million and was increased by €0.9 million to €48.2 million due to a contractual supplement dated March 16, 2021. An amount of €19.8 million of the purchase price was paid on the closing date. The remaining purchase prices in the amount of €28.4 million were deferred until March 31, 2022 and bore interest at a rate of 4.25%. The current interest rate amounts to 8.5% as specified in the purchase agreement. The receivables, including interest and impairment losses, due from YN Beteiligungen Holding AG, Switzerland, total €31.6 million as of June 30, 2023.

The following carrying amounts were reported for the above-mentioned receivables and the related interest.

—

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of 31/12/2022 in € thousand	Outstanding amount as of 30/06/2023 in € thousand	End of contract term
Gateway Real Estate AG, Frankfurt am Main						
01/01/2021	YN Beteiligungen Holding AG	465	0.00	465	465	12/31/2023
07/25/2019	YN Beteiligungen Holding AG	1,783	10.62	2,303	1,777	12/31/2023
07/25/2019	YN Beteiligungen Holding AG	779	10.62	1,004	1,049	12/31/2023
03/16/2021	YN Beteiligungen Holding AG	28,047	8.50	29,007	31,614	12/31/2023
Total		**31,074**		**32,779**	**34,905**	

As in the previous year, no collateral was provided for these loans.

In connection with the transfer of the shares of Development Partner AG, Duesseldorf, – in the meantime renamed Development Partner GmbH, Duesseldorf – and its subsidiaries, the loans extended to the subsidiaries in the past remained within the Company as additional receivables.

The carrying amount of these still existing loan receivables due to Development Partner GmbH, Duesseldorf, and due to its subsidiaries amounts to €68.6 million as of June 30, 2023.

Following the filing for insolvency of Development Partner GmbH, Duesseldorf (formerly Development Partner AG, Duesseldorf), 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 of expected credit losses due to credit risks that are not low, an impairment was recognized as a loss allowance for the receivables from IMFARR Beteiligungs GmbH, Austria, and from YN Beteiligungen AG, Switzerland, which are reported at amortized cost under loans. The impairment recognized amounted to €1,744 thousand for both receivables. Please also refer to Note 6.20.

As a result of the 50% control exercised by the related company YN Beteiligungen Holding AG, Switzerland, these loans also had been classified as related party transactions.

As at June 30, 2023, the loans are composed of the following, taking into account an impairment loss:

—

Date of contract	Borrower/related party	Amount in € thousand	Interest rate in %	Outstanding amount as of 31/12/2022 in € thousand	Outstanding amount as of 30/06/2023 in € thousand	End of contract term
01/13/2020	Development Partner GmbH, Duesseldorf	8,048	4.25	9,060	8,994	12/31/2023
05/13/2019	Development Partner GmbH, Duesseldorf	960	2.00	1,035	1,018	12/31/2023
12/15/2021	Development Partner GmbH, Duesseldorf	10,800	4.25	11,278	11,211	12/31/2023
09/13/2021	Development Partner GmbH, Duesseldorf	7,800	4.25	8,202	8,180	12/31/2023
01/01/2020	Development Partner GmbH, Duesseldorf	13,154	4.25	14,832	14,722	12/31/2023
01/01/2021	Development Partner GmbH, Duesseldorf	6,608	4.25	7,153	6,051	12/31/2023
01/14/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	8,501	4.25	9,571	9,500	12/31/2023
09/18/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	535	4.25	584	580	12/31/2023
01/28/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	50	4.25	56	56	12/31/2023
09/27/2019	Projektentwicklung Campus Park München, Duesseldorf	1,175	4.25	1,512	1,497	12/31/2023
10/09/2019	Projektentwicklung Campus Park München, Duesseldorf	2,380	4.25	2,617	2,599	12/31/2023
05/17/2019	Projektentwicklung Technologiecampus Großraum Stuttgart GmbH, Duesseldorf	3,980	2.00	4,309	4,236	12/31/2023
Total		**63,991**		**70,209**	**68,644**	

In addition, there is a liability to Development Partner GmbH, Duesseldorf, resulting from the still existing reimbursement claim towards the tax authorities in relation to capital gains taxes in the amount of €3.4 million payable to the tax authorities.

Moreover, advance payments of €2.0 million were already made by YN Beteiligungen Holding AG, Switzerland, 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.

D. TRANSACTIONS BETWEEN THE COMPANY AND SN BETEILIGUNGEN HOLDING AG

Based on a share purchase agreement dated February 17, 2021, all of the shares in Borussia Development GmbH (previously Gerch Invest GmbH) were acquired from the related company SN Beteiligungen Holding AG, Switzerland. With an equity interest of 89.9%, Gateway Real Estate AG has been the indirect controlling shareholder of Borussia Dresden Quartiere am Blüherpark (previously Gerchgroup Dresden Quartiere am Blüherpark) 1–12 UGs (UG 1–8 transformed into a German limited partnership (GmbH & Co. KG), Borussia Dresden Investment UG and Borussia Dresden Einkaufs GbR as well as of Borussia Köln Deutz Quartiere (previously Gerchgroup Köln Deutz Quartiere) 1–21 UGs, Borussia Köln Deutz Quartiere Erschließungs UG and Borussia Köln DQ Einkaufs GbR since that date and consolidated these companies for the first time as of February 18, 2021. The agreed purchase price in the amount of €70.0 million was deferred, for the time being, until March 31, 2022 (interest rate: 4.25%).

As of June 30, 2023, the purchase price liabilities of Gateway Real Estate AG to SN Beteiligung Holding AG, Switzerland, for the acquisition of the project Borussia Köln (originally €56.0 million) have a carrying amount of €46.8 million, plus interest in the amount of €5.1 million. This residual purchase price was agreed to be deferred until February 29, 2024 (subject to interest of 4.25%). The purchase price liabilities in a total amount of €14.0 million, plus interest, were fully repaid already in the first quarter of 2022 to SN Beteiligungen Holding AG, Switzerland.

The following project-related loan liabilities due to the related company SN Beteiligungen Holding AG, Switzerland, were assumed in connection with the acquisition of Borussia Development GmbH from the related company SN Beteiligungen Holding AG, Switzerland:

—

Borrower	Project	Amount in € thousand	Interest rate in %	Outstanding amount as of 31/12/2022 in € thousand	Outstanding amount as of 30/06/2023 in € thousand	End of contract term
Borussia Development GmbH, Duesseldorf	Cologne Deutz	1,992	10.00	2,506	2,607	02/29/2024
Borussia Development GmbH, Duesseldorf	Cologne Deutz	4,109	10.00	5,391	5,596	02/29/2024
Borussia Development GmbH, Duesseldorf	Dresden	8,606	10.00	10,475	10,905	02/29/2024
Borussia Development GmbH, Duesseldorf	Dresden	1,341	10.00	1,714	1,781	02/29/2024
Total		**16,048**		**20,086**	**20,889**	

Moreover, the project financing for the Cavallo Duesseldorf project 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 remaining loan receivable amounts to €1.9 million as of June 30, 2023, after offsetting the loan liabilities and receivables in the corresponding amount as of December 31, 2021. Both companies are controlled by SN Beteiligungen Holding AG, Switzerland, and are therefore classified as related parties.

Gateway Real Estate AG passed on an amount of €1.3 million of the costs incurred for the initial public offering in 2019 to SN Beteiligungen Holding AG, Switzerland. These receivables remain outstanding as of June 30, 2023.

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. There is a corresponding recourse claim in the same amount as a result of the contractual arrangement with the related company SNBH. Please also refer to Note 6.14.

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, is also re-transferred in this context in accordance with the share purchase and assignment agreement. The closing of the re-transfer is scheduled for October 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. The carrying amounts of the continuing borrowings as of June 30, 2023 are as follows:

—

Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of 31/12/2022 in € thousand	Outstanding amount as of 30/06/2023 in € thousand	End of contract term
Leipzig 416 GmbH	11,807	4.25	12,369	12,561	12/31/2024
Leipzig 416 Management GmbH	8,729	4.25	9,070	9,317	12/31/2024
Virtus 26 Beteiligungs GmbH	925	4.25	983	1,003	12/31/2024
Total	**21,461**		**22,422**	**22,881**	

In addition, Gateway AG assumed a liability from Leipzig 416 GmbH in the amount of €1.875 million, which resulted in a corresponding increase of the receivable from Leipzig 416 GmbH.

Other financing arrangements
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 31/12/2022 in € thousand	Outstanding amount as of 30/06/2023 in € thousand	End of contract term
SN Beteiligungen Holding AG, Switzerland						
12/28/2022	Gateway Real Estate AG, Frankfurt am Main	1,100	4.25	1,100	5,186	12/31/2023
02/10/2023	Gateway Real Estate AG, Frankfurt am Main	7,658	4.25	0	7,785	12/31/2023
02/27/2023	Gateway Real Estate AG, Frankfurt am Main	1,000	4.25	0	1,015	12/31/2023
03/02/2023	Gateway Real Estate AG, Frankfurt am Main	1,000	4.25	0	1,014	12/31/2023
03/07/2023	Gateway Real Estate AG, Frankfurt am Main	1,450	4.25	0	8,010	12/31/2023
03/17/2023	Gateway Real Estate AG, Frankfurt am Main	2,000	4.25	0	2,027	12/31/2023
04/05/2023	Gateway Real Estate AG, Frankfurt am Main	3,875	4.25	0	3,914	12/31/2023
Total		**18,083**		**1,100**	**28,951**	

OTHER RELATED COMPANIES

Nokera Planning GmbH
Nokera Planning GmbH (until December 31, 2020: Fuchshuber Architekten, Leipzig) continued to provide planning services for project companies of GATEWAY in the first half of 2023. The company has to be classified as a related company as it is controlled by Norbert Ketterer, Switzerland. The planning assignments were already granted in 2021 and comprise work stages (Leistungsphasen, LP) 1 to 4 as defined in the German Regulations on the Fee Structure for Architects and Engineers (Honorarordnung für Architekten und Ingenieure, HOAI). The agreed fee was €25 per square meter of eligible rented space. The resulting overall fees to be paid by the Group amount to €8.6 million.

Nokera Construction GmbH
On August 9, 2023, the subsidiary S8 Chelsea Quartier GmbH & Co. KG and Nokera Construction GmbH entered into a general contractor agreement for the turnkey construction of residential buildings in connection with the SoHo Mannheim property development. Nokera Construction GmbH receives a lump-sum price in the mid tens of millions of euros for services to be performed as contractually agreed. Nokera Construction GmbH is also a related company as it is also controlled by Norbert Ketterer, Switzerland.

E. DISCLOSURES ON RELATED PERSONS

In accordance with IAS 24, the Group also reports transactions between the Group and related natural persons and their family members. Related persons are defined as members of the Management Board and the Supervisory Board as well as their family members.

In the reporting period, legal transactions in the form of bank guarantees for which the Company is liable as principal debtor (selbstschuldnerische Bankbürgschaften) had to be reported for this group of persons:

For the purpose of land acquisition financing and the new construction of the project Storkower Str. 142–146, Berlin, Norbert Ketterer, Switzerland, as principal debtor, has assumed an unlimited guarantee (selbstschuldnerische Bürgschaft) for €4.9 million.

Norbert Ketterer provided a guarantee as principal debtor (selbstschuldnerische Bürgschaft) as security for the acquisition financing for the Leuchtwerke project in Augsburg, for the total loan amount of €42.4 million.

Norbert Ketterer assumed a guarantee as principal debtor (selbstschuldnerische Bürgschaft) in the amount of €13.0 million for the acquisition financing of the Hamburg Seevestraße property.

Norbert Ketterer also assumed a guarantee as principal debtor (selbstschuldnerische Bürgschaft) in the amount of €8 million as additional collateral for the senior loan concerning the Cologne project financing that takes effect in case the financing is terminated early.

In return for providing the guarantees, Norbert Ketterer receives a commission amounting to 1% per annum of the guarantee amount. In the fiscal year 2023, guarantee commissions in the amount of €421 thousand were recognized until June 30, 2023.

In the first half of 2023, there were no other transactions or legal matters involving this group of persons that had to be reported.

6.20 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Development Partner GmbH, Duesseldorf, files for insolvency
On August 4, 2023, the related company Development Partner GmbH, Duesseldorf (formerly Development Partner AG, Duesseldorf) and the project developments Rudolfplatz, Cologne, Uerdinger Straße, Duesseldorf, Campuspark, Munich, and Kennedydamm, Duesseldorf, filed for insolvency.

Based on contractual terms included in the share purchase agreement, both purchasers – IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG – are subject to indemnity obligations. Accordingly, both purchasers accede to half of the obligations from the existing loan agreements as partial debtors in line with the shareholding acquired under the share purchase agreement.

Valuation allowances on the outstanding receivables were recorded on the basis of rating information of comparable companies of IMFARR Beteiligungs GmbH, Austria and YN Beteiligungen Holding GmbH, Switzerland, to account for any credit risk.

Please refer to the related discussion in the Report on Risks and Opportunities and the Notes 4. and 6.4.

Closing of a forward sale purchase agreement for a building plot of the SoHo Mannheim project development
Closing occurred upon the due date notice issued by the notary on August 15, 2023, on which date the title in the building plot was also transferred. As a result, the first purchase price installment (installment for the building plot) was realized. Subsequently, further purchase price installments were received as construction activities progressed.

At the same time, the Company acquired shares in the fund of the purchaser.

Utilization of the letter of comfort for the project Uerdinger Straße, Duesseldorf
The buyer of the commercial property project Uerdinger Straße in Duesseldorf, which was sold by way of a forward sale in the 2020 fiscal year, declared its rescission from the purchase agreement on July 4, 2023.

To secure the performance of the contract, Gateway Real Estate AG assumed an obligation from a letter of comfort to the purchaser, for which a payment of €40.7 million is now being claimed.

The project development company Uerdinger Straße Office GmbH, Duesseldorf, was transferred to IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG in 2021 as part of the sale of the shares in Development Partner AG, Duesseldorf (now Development Partner GmbH, Duesseldorf).

In connection with the share purchase agreement, IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG agreed to indemnify Gateway Real Estate AG as seller against all claims asserted in connection with the business operations of the subsidiaries of Development Partner GmbH. This would also include a claim under the abovementioned letter of comfort.

The legal framework is being examined at the moment.

Utilization of guarantee for outstanding liabilities and assumption of liability
On August 2, 2023, a bad debt insurance entered into for liabilities (due and payable on March 31, 2023) in the amount of €7.9 million for soil remediation and demolition works was claimed for an amount of €5.0 million.

In line with the plan of payments agreed with the creditor, Gateway Real Estate AG made a first payment in the amount of €0.9 million on September 8, 2023. In the past year, Gateway Real Estate AG assumed a payment guarantee to secure the claims in the amount of €8.7 million.

Negotiations held with the provider of the bad debt insurance about a plan of payment are currently ongoing.

Extension of financing for Borussia Köln project development in the preceding
After the reporting date, both junior and senior financing agreements for the Cologne project development were extended until February 29, 2024 by way of agreements dated September 11, 2023 and August 21, 2023.

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 provides 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. Please refer to the related discussion in the Report on Risks and Opportunities.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review 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 for the remaining months of the fiscal year.

Frankfurt am Main, September 29, 2023

Tobias Meibom　　　　Stefan Witjes

INFORMATION ON THE REVIEW

The interim consolidated financial statements and the interim management report of the Group have been neither reviewed nor audited pursuant to Section 318 of the German Commercial Code (Handelsgesetzbuch; HGB).

FINANCIAL CALENDAR

November 27–29, 2023	Deutsches Eigenkapitalforum
November 30, 2023	Publication of quarterly statement (publication date Q3)

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