

**INTERIM MANAGEMENT
STATEMENT AS OF
MARCH 31, 2022**



GATEWAY
REAL ESTATE

AT A GLANCE

KEY FINANCIAL INDICATORS

in € thousand

	01/01– 03/31/2022	01/01– 03/31/2021
Financial performance indicators		
Revenue	2,348	12,334
Gross profit	25,058	63,388
EBIT adjusted	11,031	40,845
EBT	–984	32,809
Consolidated profit	–2,809	32,295
Earnings per share in €	–0.02	0.17
Financial position and liquidity ratios	03/31/2022	12/31/2021
Total assets	1,387,790	1,349,613
Equity	407,976	410,785
Equity ratio	29.4%	30.4%
Cash and cash equivalents	29,652	16,457
Net financial debt	745,172	699,271
Portfolio indicators	03/31/2022	12/31/2021
Average gross development volume (GDV) in € billion	6	6
Number of projects (as of end of March)	8	8

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

OVERVIEW OF THE FIRST THREE MONTHS OF 2022

GATEWAY

closes the first quarter of 2022
with a
slight net loss

Gross development volume (GDV) exceeds

€6 billion

as of March 31, 2022

Earnings per share amount to

€-0.02

in the first three months of 2022

EBT amounts to

€-1.0 million

in the first three months of 2022

EBIT adjusted reaches

€11.0 million

in the first three months of 2022

Forecast for fiscal year 2022:
EBIT adjusted of

€125-140 million

and EBT of

€70-85 million

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 leading listed developer of residential real estate and urban quarters in Germany, using resource-saving wood construction methods. The Company has a market capitalization of around €1,020 million (as of March 31, 2022). Established in 2006, GATEWAY and its subsidiaries can look back on extensive expertise in the German real estate market. Including the secured pipeline, the gross development volume (GDV) amounts to more than €7 billion as of March 31, 2022.

In this context, GATEWAY focuses on Germany’s Top 9 cities – Berlin, Dresden, Duesseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich and Stuttgart – as well as on selected high-growth areas and covers all of the important steps in the value creation chain of a development project with its own in-house teams. In all of its project developments, GATEWAY pursues the strategy of generating attractive margins and, at the same time, minimizing the project development risk by means of a detailed process management. In the context of the extended corporate strategy, GATEWAY increasingly seeks to develop residential real estate also for long-term holding and administration (build-to-hold) to generate sustainable rental revenues. Accordingly, the Standing Assets and Residential Properties Development segments will be expanded further. In fiscal year 2021, GATEWAY sold all its shares in Development Partner AG with the aim of discontinuing its activities in the Commercial Properties Development segment, except for three commercial properties development projects in Berlin, in order to focus its development activities, in future, increasingly on the Residential Properties Development segment and develop residential real estate and urban quarters. As the necessary shareholder approval could not be obtained, the three development projects for commercial properties in Berlin remain in GATEWAY’s ownership and will be sold over time.

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

When acquiring new plots of land, GATEWAY focuses on space where there are no finally approved zoning or land use plans. This enables GATEWAY to leverage potential value thanks to its long-standing expertise in the process of obtaining planning permissions and to actively determine the planning process for developments early on. GATEWAY’s focus as regards land purchases is always on real estate development rather than the speculative resale of undeveloped sites. Accordingly, GATEWAY also lives up to its corporate social responsibility by newly constructing much needed residential space in Germany’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 three months of 2022, the existing project developments progressed as planned. New projects were not acquired in the first quarter of 2022. Moreover, the purchase of an urban quarter development in Hamburg acquired at year-end 2021 was refinanced by a promissory note loan in the reporting period.

On April 22, 2022, after the end of the reporting period, Norbert Ketterer submitted to Gateway Real Estate AG the formal request pursuant to Section 327a (1) sentence 1 of the German Stock Corporation Act (AktG) that the Annual General Meeting of Gateway Real Estate AG shall resolve to transfer the shares of the remaining shareholders (minority shareholders) to Norbert Ketterer against payment of an appropriate cash settlement (so-called squeeze-out under stock corporation law).

According to his own information, Norbert Ketterer holds 182,566,192 shares of Gateway Real Estate AG. This corresponds to a stake of approximately 97.75% 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. The resolution on the share transfer is expected to be passed at Gateway Real Estate AG's next Annual General Meeting.

3. FINANCIAL POSITION

GATEWAY Group's total assets slightly increased from €1,349.6 million as of December 31, 2021 by €38.2 million to a total of €1,387.8 million as of March 31, 2022.

On the assets side, the increase was primarily attributable to current assets, which rose by €37.5 million to a total of €1,044.4 million. The rise in current assets mainly results from changes in inventories of finished goods and work in progress, which led to an increase of inventories by €19.2 million. Cash and cash equivalents also were up by €13.2 million.

Non-current assets remained almost on prior-year level, rising slightly by €0.7 million to €343.4 million.

The value of the investment properties held by the Group amounted to €286.5 million as of the reporting date, thus reaching the same level as in the previous year.

In terms of liabilities, the Group's non-current liabilities amounted to €289.2 million as of the reporting date (December 31, 2021: €241.3 million); the major portion of that amount is attributable to non-current financial liabilities in the amount of €232.5 million (December 31, 2021: €186.7 million). The increase by 24.5% mainly results from taking out a promissory note loan.

Current liabilities totaled €690.6 million as of March 31, 2022 (December 31, 2021: €697.5 million). Of that amount, €142.4 million refer to trade payables (December 31, 2021: €162.6 million). The decline by €20.2 million primarily results from the principal repayments regarding the purchase price liability from the purchase of the project developments Borussia Köln Deutz Quartiere and Borussia Dresden Quartiere am Blüherpark.

In addition, current financial liabilities account for €514.3 million (December 31, 2021: €501.0 million). Current financial liabilities were mainly up due to new loans taken out to further finance project developments.

The GATEWAY Group's equity as of March 31, 2022 amounted to €408.0 million (December 31, 2021: €410.8 million). The increase is the result of the negative consolidated total comprehensive income in the amount of €2.8 million. Accordingly, the Group's equity ratio decreased slightly from 30.4% at the end of the prior year to now 29.4% as of March 31, 2022.

4. CASH FLOWS

The cash inflows and outflows in the first three months of 2022 overall led to a significant increase in cash as of March 31, 2022, primarily caused by cash flows from financing activities, especially due to the taking out of a promissory note loan. At the same time, there were cash outflows from operating activities that were attributable to further increases in inventories and the payment of purchase price liabilities.

CONDENSED CASH FLOW STATEMENT

in € thousand	01/01– 03/31/2022	01/01– 03/31/2021
Cash flows from operating activities	-34,754	-11,738
Cash flows from investing activities	-103	24,076
Cash flows from financing activities	48,052	-40,172
Net decrease/increase in cash and cash equivalents	13,195	-27,834
Cash and cash equivalents as of 01/01	16,457	50,549
Cash and cash equivalents as of the end of the period	29,652	22,715

The negative cash flows from operating activities amounted to €-34.8 million in the first three months of 2022. The cash outflows increased significantly compared to the prior-year period by €-23.0 million, which was due to the increase in inventories by €19.2 million (Q1 2021: €11.1 million) as a result of construction activities in relation to project developments. At the same time, outstanding purchase price liabilities and other trade payables in the amount of €20.4 million were repaid. The positive cash flows from investing activities in the previous year in the amount of €24.1 million primarily included the purchase price payments received from the sale of the Commercial Properties Development segment, less cash and cash equivalents acquired and disposed. There were no cash flows required to be recognized in this context in the first quarter of 2022.

The positive cash flows from financing activities in the amount of €48.1 million is attributable to new financial loans in the amount of €56.4 million. The major contributor was the purchase of an urban quarter development in Hamburg, which was refinanced by a promissory note loan in the reporting period. This was offset by the repayment of loans in the amount of €8.4 million. In the prior-year period, the negative cash flows from financing activities in the amount of €40.2 million primarily resulted from repayments of loans.

The net increase resulting from the abovementioned cash flows in the first three months of the fiscal year 2022 totaled €13.2 million, resulting in an increase of cash and cash equivalents to €29.7 million as of March 31, 2022. As of the previous reporting date (December 31, 2021), cash and cash equivalents had amounted to €16.5 million.

5. FINANCIAL PERFORMANCE

In the first quarter of the fiscal year 2022, the Group of Gateway Real Estate AG generated revenues in a total amount of €2.3 million (Q1 2021: €12.3 million). These mainly result from lettings. The revenue reduction by €8.0 million compared with the prior-year period is attributable to the disposal of shares held in Development Partner AG, including its subsidiaries, as part of the discontinuation of the Commercial Properties Development segment in the prior period. The revenue generated by the discontinued operation mainly result from the progress toward completion of three forward sales in the amount of €8.9 million.

Gross profit amounted to €25.1 million (Q1 2021: €63.4 million), which, in addition to the revenues mentioned above, comprises changes in inventories of finished goods and work in progress of €19.5 million (Q1 2021: €14.1 million) – largely consisting of capitalized construction costs and construction period interest – and other operating income in a total amount of €3.2 million (Q1 2021: €36.9 million).

The decline in other operating income by €33.7 million compared to the prior-year period is primarily attributable to the disposal of the shares held in Development Partner AG, including its subsidiaries, which was carried out in the previous year as part of the strategic adjustment, and the associated income recognized from deconsolidation.

In the reporting period, the costs for raw materials and consumables used decreased by €4.9 million over the prior-year period to €11.3 million and mainly consist of the construction costs of the inventory properties (€9.6 million), acquisition costs for land (€0.1 million) as well as management costs for the rented properties (€1.7 million). In the first three months of 2022, the employee benefits expense declined by €0.9 million to €1.0 million. Fair value changes in investment properties and valuation of properties held as inventory amounted to €-0.1 million. Other operating expenses amounted to €1.6 million (Q1 2021: €2.3 million). In the first three months of the fiscal year 2022, GATEWAY achieved an overall operating profit of €11.0 million (Q1 2021: €40.8 million).

Net finance costs in the first three months of the fiscal year 2022 amounted to €-12.0 million (Q1 2021: €-8.0 million) and include finance costs of €13.8 million (Q1 2021: €8.8 million). Finance costs are partially offset by finance income in the amount of €1.8 million (Q1 2021: €0.8 million).

Earnings before tax (EBT) amounted to €-1.0 million (Q1 2021: €32.8 million). After deducting income taxes of €1.8 million (Q1 2021: €0.5 million), the consolidated net loss for the first three months of the fiscal year 2022 amounted to €-2.8 million (Q1 2021: consolidated profit of €32.3 million). This corresponds to basic earnings per share of €-0.02 (Q1 2021: €0.17) and diluted earnings per share of €-0.02 (Q1 2021: €0.17). The EBIT adjusted amounted to €11.0 million (Q1 2021: €40.8 million).

6. REPORT ON RISKS AND OPPORTUNITIES

The risks that Gateway Real Estate AG is exposed to within the framework of its business activities, as well as the opportunities arising for the Company were described in detail in the 2021 Annual Report on pages 57–62. 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 this context, any possible effects resulting from the COVID-19 pandemic were taken into account. In the meantime, there are no official COVID-19 rules in force in Germany as around 75.8% of the total population have primary immunization and around 59.4% have had one or two booster vaccinations (as of May 5, 2022).

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 entire market as well as of the real estate sector would be too imprecise at the moment.

As regards the opportunities for the Group, GATEWAY refers to the fact that a substantial slowdown of the economy and also recessionary trends, as observed following the COVID-19 pandemic, also offers new opportunities in the procurement market in terms of property and land acquisition. The financial difficulties of other companies may open up opportunities to acquire properties in particularly attractive locations or subject to particularly good terms. For further details, we refer to the report on opportunities in the 2021 Annual Report on page 62.

7. REPORT ON EXPECTED DEVELOPMENTS

OUTLOOK FOR THE GATEWAY GROUP

By way of an ad hoc release dated March 21, 2022, GATEWAY issued a qualified forecast for the fiscal year 2022. Accordingly, the Management Board expects an adjusted EBIT of €125–140 million and consolidated earnings before taxes (EBT) of €70–85 million for the fiscal year 2021. The main drivers for business development are planned future sales in the context of forward sale transactions in the Residential Properties Development segment. In view of the business development in the first quarter of 2022, the Management Board confirms this forecast.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2022

IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF MARCH 31, 2022

ASSETS

in € thousand	03/31/2022	12/31/2021
Non-current assets		
Intangible assets and goodwill	16,101	16,118
Property, plant and equipment	717	753
Investment properties	286,464	286,460
Investments accounted for using the equity method	11	11
Non-current trade receivables	163	247
Other non-current financial assets	24,752	24,541
Other non-current non-financial assets	2,386	2,374
Deferred tax assets	12,840	12,202
	343,434	342,706
Current assets		
Inventories	766,360	747,189
Trade receivables	651	418
Income tax receivables	3,805	3,813
Other financial assets	126,873	125,151
Other non-financial assets	73,215	70,079
Cash and cash equivalents	29,652	16,457
Non-current assets held for sale	43,800	43,800
	1,044,356	1,006,907
	1,387,790	1,349,613

EQUITY AND LIABILITIES

in € thousand	03/31/2022	12/31/2021
Equity		
Subscribed capital	186,764	186,764
Reserves	-389,131	-389,131
Retained earnings	602,901	605,879
Non-controlling interests	7,442	7,273
	407,976	410,785
Non-current liabilities		
Non-current financial liabilities	232,537	186,658
Deferred tax liabilities	55,577	53,552
Other non-current financial liabilities	1,130	1,130
	289,244	241,340
Current liabilities		
Current financial liabilities	514,259	501,028
Income tax liabilities	6,064	5,851
Trade payables	142,378	162,565
Other financial liabilities	26,899	26,912
Other non-financial liabilities	970	1,132
	690,570	697,488
	1,387,790	1,349,613

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM JANUARY 1 TO MARCH 31, 2022

in € thousand	01/01–03/31/2022			01/01–03/31/2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Revenue	2,348	0	2,348	2,327	10,007	12,334
Changes in inventories of finished goods and work in progress	19,537	0	19,537	7,876	6,272	14,148
Other operating income	3,173	0	3,173	123	36,783	36,906
Gross profit	25,058	0	25,058	10,326	53,062	63,388
Raw materials and consumables used	-11,309	0	-11,309	-4,112	-12,115	-16,227
Employee benefits expense	-966	0	-966	-923	-997	-1,920
Fair value changes in investment properties and valuation of properties held as inventory	-63	0	-63	-1,561	0	-1,561
Depreciation and amortization expense	-87	0	-87	-560	-23	-583
Other operating expenses	-1,602	0	-1,602	-1,545	-707	-2,252
Operating profit	11,031	0	11,031	1,625	39,220	40,845
Finance income	1,792	0	1,792	853	-105	748
Finance costs	-13,807	0	-13,807	-5,271	-3,513	-8,784
Net finance costs	-12,015	0	-12,015	-4,418	-3,618	-8,036
Profit before tax	-984	0	-984	-2,793	35,602	32,809
Income tax expense	-1,825	0	-1,825	-420	-94	-514
Consolidated profit/loss	-2,809	0	-2,809	-3,213	35,508	32,295
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income/loss for the period	-2,809	0	-2,809	-3,213	35,508	32,295
Attributable to equity holders of the parent company	-2,978	0	-2,978	-3,042	35,619	32,577
Attributable to non-controlling interests	169	0	169	-171	-111	-282
Earnings per share (basic)	-0.02	0.00	-0.02	-0.02	0.19	0.17
Earnings per share (diluted)	-0.02	0.00	-0.02	-0.02	0.19	0.17

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS

FROM JANUARY 1 TO MARCH 31, 2022

in € thousand	01/01– 03/31/2022	01/01– 03/31/2021
Cash flows from operating activities		
Total comprehensive income/loss for the period	-2,809	32,295
Adjustments for:		
Amortization of intangible assets	16	27
Depreciation of property, plant and equipment	71	556
Changes in fair value of investment properties and valuation of properties held as inventory	63	1,502
Changes in fair value of non-current assets held for sale (properties)	0	60
Impairment on trade receivables	18	21
Other non-cash expenses/income	-353	0
Tax expenses	1,825	514
Profit or loss from the sale of intangible assets	0	8
Profit or loss from the sale of property, plant and equipment	0	-8
Profit or loss from the sale of fully-consolidated subsidiaries	0	-36,758
Net finance costs	12,015	8,036
Changes in:		
Inventories	-19,170	-11,081
Trade receivables and other receivables	-166	-2,531
Other financial assets	-142	-9,569
Non-financial assets	-3,148	-1,616
Trade payables and other payables	-20,437	977
Non-financial liabilities	-162	4,151
Other provisions as well as assets and provisions for employee benefits	0	-12
Changes in other financial liabilities	37	7,398
Interest paid	-2,196	-5,034
Income taxes received	6	115
Income taxes paid	-222	-789
Cash flows from operating activities	-34,754	-11,738
Cash flows from investing activities		
Payments for investments in investment properties	-67	-121
Purchase of intangible assets	0	-2
Purchase of property, plant and equipment	-36	-58
Payments for additions to consolidation group less cash and cash equivalents acquired	0	2,488
Sale of consolidated companies less cash and cash equivalents transferred	0	21,829
Cash outflows for investments in properties held for sale (IFRS 5)	0	-60
Cash flows from investing activities	-103	24,076
Cash flows from financing activities		
Cash inflows from new (financial) loans	56,436	4,508
Payments for lease liabilities	-39	-157
Repayments of loans	-8,345	-44,523
Cash flows from financing activities	48,052	-40,172
Net change in cash and cash equivalents	13,195	-27,834
Cash and cash equivalents as of 01/01	16,457	50,549
Cash and cash equivalents as of the end of the period	29,652	22,715

IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM JANUARY 1 TO MARCH 31, 2022

in € thousand	Equity attributable to equity holders of the parent company				Non-controlling interests	Total equity
	Subscribed capital	Reserves	Retained earnings	Total		
Balance as of 01/01/2021	186,764	-389,131	557,411	355,044	4,776	359,820
Profit/loss	0	0	32,577	32,577	-282	32,295
Change in the scope of consolidation/disposal of shares	0	0	0	0	-1,976	-1,976
Balance as of 03/31/2021	186,764	-389,131	589,988	387,621	2,518	390,139
Balance as of 01/01/2022	186,764	-389,131	605,879	403,512	7,273	410,785
Profit/loss	0	0	-2,978	-2,978	169	-2,809
Balance as of 03/31/2022	186,764	-389,131	602,901	400,534	7,442	407,976

FINANCIAL CALENDAR

August 2022	Annual General Meeting
September 30, 2022	Publication of half-yearly financial report
November 28–30, 2022	Deutsches Eigenkapitalforum
November 30, 2022	Publication of quarterly statement (publication date Q3)

IMPRINT

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