HALF-YEAR FINANCIAL REPORT AS OF JUNE 30, 2022

GATEWAY
REAL ESTATE

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 METHOD 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.

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LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

In the first half of 2022, the economy was characterized mainly by three major factors: the COVID-19 pandemic, which has been going on for more than two years, the war in Ukraine, and the sharp rise in inflation. Despite major global geopolitical uncertainties, with in some cases massive effects on the availability of raw and other materials, and pandemic-related logistics challenges for the global economy, we are satisfied with the results achieved in the first half of 2022.

We did not make any new acquisitions in the first half of 2022, but worked intensively on existing project developments to obtain building rights or also building permits. For example, work on the excavation pit at our project in Mannheim has been underway since August. On the sell side, we have disposed of an existing building in Leipzig and received the purchase price payment in the third quarter of 2022. Including the additional attractive pipeline, the gross development volume (GDV) amounts to more than €7 billion as of June 30, 2022.

In all of our project developments, we place special emphasis on the issue of sustainability. We remain convinced that developing our projects based on a hybrid wood construction technology is the right way into the future. Resource-saving and energy-efficient construction methods are essential to our understanding of project development.

EBIT adjusted, which is a key financial indicator for us and represents operating profit plus the result from investments accounted for using the equity method, amounted to a total of €19.6 million in the first six months of 2022, while earnings before taxes (EBT) amounted to €–4.7 million as of the end of June 2022. Consolidated profit/loss (earnings after tax) amounted to €–5.2 million, corresponding to earnings per share of €–0.03.

Group equity rose to €405.5 million, and the LTV, including near-cash receivables, was 67.9 percent. Taking into account hidden reserves in relation to our development properties held as current assets, the LTV would be reduced to at least 57.4 percent based on prudent estimates.

For the fiscal year 2022, we currently continue to expect the previously communicated adjusted EBIT of €125–140 million and consolidated earnings before taxes (EBT) of €70–85 million.

Dear shareholders, the Annual General Meeting 2022 of Gateway Real Estate AG was held on August 30, 2022, i.e. after the reporting date. As the pandemic-related conditions remained challenging, the Annual General Meeting was held virtually without physical presence. We very much regret this, as this is the third time that we have not been able to meet our shareholders in person and exchange views with them. That said, we are all the more pleased that all the resolution proposals made by the Management Board and the Supervisory Board were adopted by a large majority of the Annual General Meeting. We are grateful for your trust and look forward to a sustainable and successful cooperation with you.

Frankfurt am Main, September 30, 2022

Tobias Meibom Stefan Witjes

THE GATEWAY SHARE

DEVELOPMENT OF THE STOCK MARKETS

In the first half of 2022, the global equity markets were affected primarily by three factors: COVID-19, the war in Ukraine, and inflation. The COVID-19 pandemic continued to challenge global supply chains during the reporting period, notably due to the stringent containment measures in China, and in particular the two-month lockdown of Shanghai, which also led to closing the city's port until June this year. The clearance of the stalled ships was a lengthy procedure, resulting in massive delays in supply. These delays also continued subsequently at the destination ports and are only slowly being reduced. The resulting shortage of raw materials, semi-finished goods and finished goods accelerated inflation worldwide, which had already been on the rise in the previous year.

This was aggravated by the Russian attack on Ukraine on February 24 this year. The blockade of Ukrainian grain exports in the country's Black Sea ports, international sanctions against Russia and restrictions on gas supplies by Russia led to significant price increases in virtually all sectors of the economy. In June 2022, inflation reached 9.1 percent in the United States, 8.6 percent in the eurozone, and 7.6 percent in Germany.

As inflation was well above the two percent target, central banks were prompted to raise interest rates considerably. The U.S. Federal Reserve (Fed) raised its key interest rate in the first half of 2022 in a total of three steps from between 0.0 and 0.25 percent to between 1.50 and 1.75 percent, and in a further step in July 2022 to between 2.25 and 2.5 percent. The European Central Bank (ECB) raised its main refinancing rate from 0.0 to 0.5 percent in July 2022, and again in September 2022 by 0.75 percent to 1.25 percent.

These adverse factors led to share price losses on equity markets across the globe. The MSCI World Index fell from 3,261 points to 2,545 points in the period from December 30, 2021 to June 30, 2022, while the S&P 500 Index declined from 4,782 points to 3,786 points. The German flagship index DAX (Deutscher Aktienindex), which had closed the year 2021 at 15,885 points, stood at a level of 12,784 points – a decline of 19.5 percent. The shares of listed mid-cap companies also fell sharply. The MDAX fell from 35,123 points to 25,823 points in the period from December 30, 2021 to June 30, 2022, while the SDAX plunged from 16,414 points to 11,881 points in the same period.

Real estate stocks were unable to escape this trend so that European real estate stocks also recorded significant losses in the first half of 2022. After closing the year 2021 at 2,056 points, the FTSE EPRA Nareit Europe Index stood at 1,452 points as of June 30, 2022 – a decrease of nearly 30%. FTSE EPRA Nareit Germany Index recorded an even steeper decline. While the index was at 1,367 points at the end of December 2021, it declined quite steadily around 500 points in the following six months, thus falling to 834 points. In addition to geopolitical and monetary developments, the major drivers of this development were the shortage of building land, building materials and labor, as well as the rise in energy prices.

PERFORMANCE OF THE GATEWAY SHARES

The Gateway Real Estate AG share was able to buck the general stock market trend, and in particular the downward trend of German real estate equities. At the beginning of 2022, the GATEWAY share had a XETRA price of €3.88 and even reached a XETRA high of €7.10 on April 24, 2022. At the end of June 2022, the share price was €5.00, meaning that the price of the Gateway share rose in the first half of 2022 by nearly 29 percent.

The market capitalization of GATEWAY increased from approximately €753 million as of year-end 2021 to around €934 million as of June 30, 2022.

ANNUAL GENERAL MEETING

The Annual General Meeting of Gateway Real Estate AG was held on August 30, 2022, i.e. after the reporting date. Due to the COVID-19 pandemic, the Annual General Meeting 2022 was held as a virtual meeting for the third time. All resolution proposals made by the Management Board and the Supervisory Board were approved by a large majority of the Annual General Meeting.

Further information and details on the voting results of the Ordinary Annual General Meeting 2022 can be found on the Company's website under:
https://www.gateway-re.de/en/investor-relations/annual-general-meeting/annual-general-meeting-2022/

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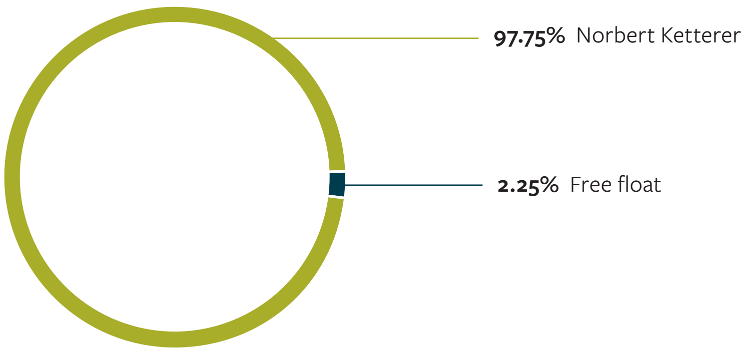
SHAREHOLDER STRUCTURE AS OF JUNE 30, 2022



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SHARE INFORMATION

ISIN/WKN	DE000A0JJTG7 / A0JJTG
Number of shares	186,764,040
Share capital	€186,764,040.00
Ticker symbol	GTY
Market segment	Regulated market (Prime Standard)
Subsector	Real estate
Trading venues	XETRA, Frankfurt am Main, Duesseldorf, Munich, Berlin, Hamburg, Stuttgart
Designated Sponsor	Credit Suisse
Opening price (January 3, 2022)	€3.88
Closing price (June 30, 2022)	€5.00
Highest price in the period (April 22, 2022)	€7.10
Lowest price in the period (January 18, 2022)	€3.12
Market capitalization (June 30, 2022)	€933.82 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, with a market capitalization of around €934 million (as of June 30, 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) currently (as of June 30, 2022) amounts to more than €7 billion.

In this context, GATEWAY focuses on Germany's Top 9 cities – Berlin, Dresden, Duesseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich and Stuttgart – as well as on selected high-growth areas and covers all of the important steps in the value creation chain of a development project with its own in-house teams. In all of its project developments, GATEWAY pursues the strategy of generating attractive margins and, at the same time, minimizing the project development risk by means of a detailed process management. In the context of its extended corporate strategy, GATEWAY not only seeks to sell but also increasingly to develop residential real estate for long-term holding and administration (build-to-hold) to generate sustainable rental revenues. Accordingly, the Standing Assets and Residential Properties Development segments will be expanded further. In the fiscal year 2021, GATEWAY sold all its shares in Development Partner AG with the aim of discontinuing all 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. GATEWAYS 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 2022, the existing project developments were advanced as planned, while at the same time possession, benefits and obligations were transferred for a part of the Leipzig development site which was acquired in the previous year.

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).

There has been no letter specifying more details so far.

3. ECONOMIC FRAMEWORK

MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

CURRENT DEVELOPMENT

Although the COVID-19 pandemic has subsided, it is not yet over and is causing constraints on the global economy, some of which are significant. This became evident in the second quarter of 2022 when the Chinese government's zero-COVID approach led to a two-month lockdown of Shanghai and its port. The shutdown of one of the world's most important transshipment hubs caused global trade to come to a halt, resulting in delays at other ports and a lack of supply of raw materials and semi-finished and finished goods.

In the wake of the expansion of Russia's invasion of Ukraine on February 24, 2022, numerous developed countries tightened their sanctions against Russia, which in turn is putting a strain on these countries' economies through reduced supplies of energy sources. This exacerbated existing shortages of key basic products on markets worldwide and led to global inflation, especially for energy and food. Economies and supply chains are increasingly being put to the test in terms of their resilience in different crisis scenarios. This situation is aggravated by growing geopolitical tensions in the Taiwan Strait and the South China Sea.

With demand picking up again as a result of the easing COVID-19 pandemic, along with tighter supply, especially of energy sources and food, inflation, which had already been picking up in the second half of 2021, increased further in the first half of 2022, rising steadily to 9.1% by June 2022. The inflation rate in the eurozone climbed to 8.6% in June 2022. Germany's Harmonized Index of Consumer Prices increased by 8.2% in June 2022, which is below the eurozone average. The 9-euro ticket for local public transport introduced nationwide in June 2022 and the simultaneous reduction in energy tax and fuel tax on gasoline and diesel curbed fuel inflation; the inflation rate including these effects was 7.6% in June 2022.

In the first quarter of 2022, the European Union's GDP rose by 0.6%, while growth for the eurozone was 0.5%. In Germany, the Federal Statistical Office recorded GDP growth of 0.8% in the first quarter compared with the previous quarter, adjusted for price, seasonal and calendar effects. Economic growth was flat in the second quarter of 2022. with the economy being supported mainly by higher private consumption and government consumer spending. By contrast, the challenging global economic environment, impacted by the ongoing COVID-19 pandemic, disrupted supply chains, rising prices and the war in Ukraine, dampened foreign trade.

In order to mitigate the economic consequences of global adverse factors for private households and companies in Germany, the German Federal Council (Bundesrat) and the German Federal Parliament (Bundestag) passed several relief packages. The first relief package included an increase in the standard travel allowance, the basic tax-free allowance and the standard employee allowance for employment-related expenses, a heating subsidy for housing benefit recipients and students receiving education assistance in Germany (BAföG), and the abolition of the EEG levy for electricity customers as of July 1, 2022.

The second relief package was primarily intended to offset rising energy prices. This included the payment of a one-off flat-rate energy tax for the employed, self-employed and tradespersons, a one-off bonus on child benefit from July 2022, the doubling of the one-off payment for recipients of social security benefits already agreed in the first relief package, the 9-euro ticket for local public transport across Germany for the months of June to August 2022, and the reduction of the energy tax on fuels for the months of June to August.

In September 2022, the German federal government initiated a third relief package; the financing of this package is still being negotiated between federal and state governments. Measures include, amongst others, an electricity price cap, an increase in child benefits and child benefit supplements, a one-off payment for students, a housing allowance increase, a one-off flat-rate energy allowance for pensioners, an extension of the special rules applicable to short-time working allowance, the introduction of an indexed citizen's basic income, a nationwide local transport ticket, and tax cuts for households and companies.

Overall, the three relief packages will have an expected total volume of €95 billion.

FORECAST

At the beginning of the year, the International Monetary Fund (IMF) expected global growth to slow down from 5.9% in 2021 to 4.4% in 2022, thus already lowering its forecast from the fall of 2021 by half a percentage point. The main reasons were seen as the earlier withdrawal of accommodative monetary policy and persistent supply constraints in the United States, and pandemic-related disruptions associated with China's zero tolerance COVID-19 policy and protracted financial tensions among property developers.

According to the IMF, global production declines, especially in China and Russia, were joined in the second quarter of 2022 by several shocks that further weighed on an already pandemic-weakened global economy. Inflation rose worldwide more sharply than anticipated, especially in the United States and in the European economies. Economic growth in China decelerated more strongly than expected due to COVID-19-related lockdowns. Finally, the war in Ukraine is slowing down the global economy due to the resulting shortages, mainly of energy sources and food, and is further fueling inflation. The IMF expects global growth to slow down from 6.1% in 2021 to 3.2% in 2022. Inflation forecasts for 2022 range from 6.6% for developed economies to 9.5% for emerging and developing countries.

Due to the war in Ukraine, growth expectations were further revised down for the majority of markets. The United Nations' World Economic Situation and Prospects (WESP) 2022 update forecasts growth of around 2.7% for the European Union (EU), down 1.2% compared with the forecast in January 2022.

For Germany, the European Commission expects real GDP to increase by around 1.4% in 2022, after growing by around 2.9% in 2021. According to projections for the coming year 2023, growth is expected to be around 1.3%.

SOCIODEMOGRAPHIC DEVELOPMENT

According to the German Federal Statistical Office, there were around 83.2 million people lived in Germany at the end of 2021, which is roughly the same level as of year-end 2020 and 2019. This indicates that the number of inhabitants remains flat, after having risen steadily from 80.3 million to 83.2 million between 2011 and 2019. The reason for the unchanged population was the increased number of deaths in 2021 which significantly exceeded the number of births. However, the gap between the number of births and the number of deaths was closed by higher net immigration, after net immigration had declined in 2020.

In terms of population, North Rhine-Westphalia was the most populous German state, with around 17.9 million people at the end of 2021. This was followed by Bavaria with 13.2 million and Baden-Wuerttemberg with 11.1 million. The smallest state in terms of population was Bremen with around 680,000 inhabitants.

In 2021, Brandenburg recorded the highest immigration balance across Germany, with immigration exceeding emigration by 16,787. This is followed by Schleswig-Holstein (13,362) and Lower Saxony (7,234). Immigration was also higher than emigration in Mecklenburg-Vorpommern, Saxony, Rhineland-Palatinate, Saxony-Anhalt, and Bavaria. The largest negative balance was recorded in Baden-Wuerttemberg, where emigration exceeded immigration by 12.189, followed by Hamburg, Berlin, Hesse, North Rhine-Westphalia, Bremen, Thuringia, and Saarland.

According to the German Federal Statistical Office, Berlin's population grew from 3.66 million to 3.68 million between 2020 and 2021. In the same period, Hamburg's population increased by around 1,500 to 1.85 million. At the end of 2021, the Bavarian capital had an almost unchanged population of approximately 1.49 million. Around 1.07 million people lived in Cologne at the end of 2021, a slight decline from the previous year's figure of 1.08 million. These four largest German cities with inhabitants of more than one million are followed by Frankfurt am Main, with a population of around 759,000 as of year-end 2021, 5,000 fewer than a year earlier. The population of Stuttgart fell during the year from 630,000 to 626,000 by the end of 2021. Duesseldorf also recorded a slight population decline from 621,000 at year-end 2020 to 619,000 twelve months later.

In addition to Germany's A cities, GATEWAY has defined focus cities for its activities that offer attractive prospects in the Company's view. These cities include Leipzig, Dresden, and Augsburg. Leipzig's population continued to grow in 2021. Saxony's biggest city had a population of 602,000 people at the end of 2021, an increase by approximately 5,000 people. Dresden, Saxony's state capital, recorded a broadly stable population of 555,000 people in 2021. The same applies to Augsburg where 296,000 people lived at year-end 2021.

ECONOMIC DEVELOPMENT IN GERMANY AND IN GATEWAY'S FOCUS CITIES

Being a strongly export-oriented economy, Germany suffered particularly from the global adverse factors in the first half of 2022. The pandemic-related lockdown of Shanghai and its port in May and June 2022 put pressure on global supply chains. The consequences of Russia's attack on Ukraine on February 24, 2022 and the EU's subsequent sanctions against Russia weighed on the German economy. Restrictions on gas supplies by Russia to the EU and Germany in particular are leading to cost-cutting measures and, where possible, to a switch to alternative energy sources. While the German Federal Statistical Office still reported price-, season- and calendar-adjusted GDP growth of 0.8% quarter-on-quarter for the first quarter of 2022, the German economy was flat in the second quarter of 2022, mainly due to the declining trade balance.

The economy is being supported mainly by higher private consumption and government consumer spending. After private households held back on investment and consumer spending during the two COVID-19 years 2020 and 2021, investment and consumer spending rose again in the first quarter of 2022. At the same time, public spending was expanded. Up to June 2022, German government spending amounted to around €227.7 billion, compared with revenue of around €175.6 billion in the same period. This resulted in a negative financing balance of around €–52.1 billion as of the end of June. Including cash funds of €122.1 billion, the year-to-date capital market balance amounted to around €70 billion.

After rising since the beginning of 2022, exports from Germany reached a value of €138.1 billion in March and consolidated at a level of €136 billion by the end of June. This represents an increase by approximately 14.6% over the previous year's month. This was offset by imports in a value of €128 billion as of the same date, an increase by 24.9% over the previous year's month. While the export surplus had amounted to €16 billion in June 2021, it was around €7.7 billion in June 2022.

In order to mitigate the economic consequences of global adverse factors for private households and companies in Germany, the German Federal Council (Bundesrat) and the German Federal Parliament (Bundestag) passed several relief packages. The first relief package included an increase in the standard travel allowance, the basic tax-free allowance and the standard employee allowance for employment-related expenses, a heating subsidy for housing benefit recipients and students receiving education assistance in Germany (BAföG), and the abolition of the EEG levy for electricity customers as of July 1, 2022.

The second relief package was primarily intended to offset rising energy prices. This included the payment of a one-off flat-rate energy tax for the employed, self-employed and tradespersons, a one-off bonus on child benefit from July 2022, the doubling of the one-off payment for recipients of social security benefits already agreed in the first relief package, the 9-euro ticket for local public transport across Germany for the months of June to August 2022, and the reduction of the energy tax on fuels for the months of June to August.

The third relief package, which was initiated in September 2022, is intended to compensate for the effects of rising energy prices and costs of living. Measures include, amongst others, direct grants such as higher child benefits, increased child benefit supplements, a one-off payment for students, a housing allowance increase, a one-off flat-rate energy allowance for pensioners, the introduction of indexed citizen's basic income, a nationwide local transport ticket, as well as tax cuts for households and companies, and an extension of the special rules applicable to short-time working allowance.

Overall, the three relief packages will have an expected total volume of €95 billion.

In June 2022, Germany's inflation rate was 7.6%, while that of the eurozone amounted to 8.6% as of the same date. In particular, the 9-euro ticket for local public transport introduced nationwide in June 2022 and the simultaneous reduction in energy tax and fuel tax on gasoline and diesel curbed inflation.

In its monthly report for June 2022, the Deutsche Bundesbank expects Germany's GDP to rise by around 1.9% in 2022, by 2.4% in 2023, and by 1.8% in 2024. For 2022, the European Commission expects an inflation rate of 7.9% in Germany. This is somewhat above the forecast average of the inflation rate for the eurozone (7.6%), while an inflation rate of 8.3% is expected for the European Union (EU-27).

The German labor market also proved robust in the first half of 2022. According to the Federal Statistical Office, around 45.38 million people residing in Germany were in employment in June 2022. Overall, around 34.43 million people were employed subject to social insurance contributions as of May 2022. The number of people registered as unemployed in July 2022 (around 2.47 million people) exceeded the previous month by 107,355; compared with July 2021, the number of unemployed declined by about 120,067 people. On average, around 2.38 million people were registered as unemployed in 2022.

According to figures from the German Federal Employment Agency, the unemployment rate in the seven A cities has fallen considerably in line with the nationwide trend. Among the A cities, Munich recorded the largest decline of –20.7% between June 2021 and June 2022, followed by Duesseldorf (–17%), Stuttgart (–16.5%), Frankfurt am Main (–14.2%), Berlin (–11.7%), Hamburg (–11.6%), and Cologne (–11.2%). Among the GATEWAY focus cities, Leipzig followed this trend (–11.1%), while the number of unemployed increased by 0.5% in Dresden and by 1.3% in Augsburg.

DEVELOPMENT OF REAL ESTATE MARKETS

According to JLL, the transaction volume on the German real estate market amounted to €36.1 billion in the first half of 2022, which is still 5% higher than in the first half of 2021. However, most of the transactions were initiated in the time before the interest rate increase. In the months of April to June 2022, the transactional momentum receded substantially in view of the turbulent and uncertain market environment. Accordingly, the second quarter's contribution to the half-year result amounted to €12.3 billion, which is only around half the volume achieved in the first quarter.

According to JLL, the investment market is currently seeking a new balance between the changing financing conditions, the prevailing price expectations of sellers, and the increasing capital pressure in the market with each passing month. Above all, core transactions must be recalculated due to the increased interest rates, according to JLL. The transaction volume is significantly influenced by whether sellers want to uphold their previous price expectations or even must uphold them due to their exit strategy.

RESIDENTIAL REAL ESTATE MARKET

According to JLL, Germany's residential market is indirectly affected by the global turmoil. Global supply chains have been put to the test by the COVID-19 pandemic, triggering adaptation processes. This also concerns the commodity markets and the supply industries. Inflation, further fueled by the Russian war against Ukraine, has prompted central banks to take stronger countermeasures. Rising key rates also have their impact on the mortgage market. The increasing mortgage lending rates have halted the strong yield compression on the residential market. Nevertheless, there still is a high level of liquidity in the market and there still is excess demand as well. Although bidders are currently more selective on the demand side, JLL believes that the residential investment market as a whole remains very liquid. However, potential investors are cautious when it comes to riskier transactions and are adopting a much more hesitant approach.

Rising energy costs will be a burden on tenants' utility costs, narrowing the scope for landlords to adjust rents in line with inflation. In contrast, the long-term price expectations are particularly strongly linked to the development of manufacturing costs. Rising energy costs and the elimination of subsidies will make new construction more expensive. In addition, the already high capacity utilization in the construction industry, the shortage of skilled workers and increasing age-related retirement from the labor market are contributing to rising construction costs. As a result of these developments, JLL expects a further decline in new construction activity and a widening of the gap between completions and politically motivated new construction targets.

The German government has set itself the target to have 400,000 new homes built per year in Germany. According to the Federal Statistical Office, 293,393 residential homes were completed in Germany in 2021 – a decline by 4.2% or 12,983 compared with the previous year. The number of building permits for apartments in 2021 was up 380,736 or 3.3% on the previous year and thus continued to be significantly higher than the number of building completions. This has now resulted in a surplus of residential homes approved but not yet completed in a total amount of 846,467 homes – an increase of 67,035 over 2020.

According to the Federal Statistical Office, the decline in construction completions amidst a sharp increase in the construction backlog indicates supply-side disruptions that are preventing companies and developers from realizing their projects in a timely manner. Supply bottlenecks and shortages of raw materials, significant price increases as a result of increased demand for building materials such as wood and steel in Germany and abroad, and high capacity utilization and staff shortages in the construction sector are likely to play a major role here.

DB Research believes that an end to the cycle on the German housing market in the course of the decade, probably in 2024, is highly probable. Historically, sharp price declines have normally occurred in the event of a systemic crisis. Given the rapid pace of technological change, the climate crisis and geopolitical dynamics, this cannot be ruled out at present. DB Research considers the fundamental supply shortage in many cities to have been eliminated by lower migration into cities and expanded new construction activities during the pandemic years.

The significant rise in interest rates and the further interest rate steps announced by the central banks could contribute to investors preferring bonds over real estate. According to DB Research, this increases the risk of an abrupt revaluation occurring in the residential real estate market. In contrast, energy retrofits increase valuations, although the elimination of some of the subsidies granted for energy-efficient buildings is weighing on property valuations. This could accelerate the end of the cycle.

According to the projections published by DB Research, the fundamental supply shortage in Bremen, Duesseldorf, Hamburg and Nuremberg is close at hand, meaning that prices in these cities are likely to be relatively sensitive to interest rates. In Berlin, Hanover, Cologne, Leipzig and Stuttgart, the bottlenecks will remain for quite a number of years. Accordingly, the cycle may last a particularly long time. While residential space remains in short supply in Munich as well, high valuations in Munich are likely to herald the end of the cycle.

OFFICE MARKET

The German office leasing market was largely unaffected by geopolitical crises, inflation and the COVID-19 pandemic in the first half of 2022. According to JLL, letting volumes reached around 1.93 million sqm, up 45% on the same period last year. 55% of the revenue in the first half was generated in the months of April to June. At the same time, JLL believes that the pandemic and fundamental shift in the office work environment overrides traditional office leasing principles. Whereas an increase in vacancy rates led to falling prime rents in the past, it can now be observed that vacancy rates are increasing across the board, while competition for prime space even has become more intense, causing prime rents to rise further.

In each of the A cities, JLL noted a rising take-up, with the growth rate ranging from 3% in Berlin to 335% in Stuttgart. Top performer in terms of take-up once again is Munich (396,000 sqm), followed by Berlin (377,000 sqm) and Hamburg (321,000 sqm). The average vacancy rate across all seven metropolitan areas as calculated by JLL was 4.7% on a total of 4.5 million sqm, the same percentage as three months earlier.

Project developers increasingly struggled with supply bottlenecks and a continued rapid increase in purchase prices for construction materials in the first half of 2022. Nevertheless, completions in the seven A cities in the second quarter of 2022 were slightly higher than in the previous quarter. A total of 950,000 sqm of office space was newly built or refurbished, an increase of 16% compared with the first half of 2021.

Due to almost non-existent inflation, fully indexed lease contracts have been the norm for many years, according to JLL. In the meantime, users try not to sign inflation-linked contracts. Instead, graduated rents with a two to three percent rent increase per year are now being agreed. Rising energy prices and labor costs are increasing the cost pressure on companies, which are now also taking a closer look at area-specific costs.

According to JLL, prime rents have started to change in almost all A cities. Prime rents in Berlin, Duesseldorf, Frankfurt, Hamburg and Cologne rose considerably quarter on quarter in some cases.

RETAIL MARKET

According to JLL, German retail locations recorded stable take-up in the first half of 2022. Based on the conclusion of 472 rental agreements, the take-up amounted to a total of 218,400 sqm. This is an increase of 3.5% in terms of take-up and of 5% in the number of agreements in comparison with the first half of 2021. In the second quarter of 2022, the number of agreements signed rose by 20% compared with the previous quarter.

Almost 40% or 83,400 sqm of the rental volume is attributable to A cities. In Berlin, new leases of retail space amounted to 24,300 sqm, followed by Hamburg (12,500 sqm) and Cologne (12,200 sqm). Take-up also developed positively in Leipzig, where 4,400 sqm were leased in the first half of 2022, compared with 1,100 sqm in the same period of the previous year.

However, take-up decreased in Munich, Frankfurt am Main, and Stuttgart. In Munich, the decline was 6% to 6,800 sqm, in Frankfurt am Main 15% to 6,700 sqm, in Stuttgart as much as 20% to 4,400 sqm, and in Düsseldorf even 33% to 9,000 sqm.

According to information from JLL, the largest demand for space in the first half of 2022 came from the textile sector (73,800 sqm), representing a share in take-up of 34%. Of that amount, three quarters of rental revenue were attributable to young fashion houses and clothing stores. The food service industry leased 57,700 sqm of new space, accounting for 26% of take-up, while the share of the health care and beauty sector was 9% or 18,900 sqm. The vacancy rate rose nationwide by one percentage point to 16%. In the most important nine locations evaluated by JLL, a total of 308,200 sqm distributed over 342 store units are vacant. Compared with the first half of 2021, prime rents across Germany fell by a further 1.8%. Cities with more than 500,000 inhabitants recorded a decline of 1.7%, while prime rents in cities with a population of between 100,000 and 250,000 people fell by only 0.7%. The decline in cities with 250,000 to 500,000 inhabitants was 4.5%.

Although investor demand for inner-city commercial properties remains subdued, top properties in prime locations continue to achieve high prices. In Munich, for example, yields peak at 2.4%. Overall, prime yields as of midyear remain on an unchanged level.

4. FINANCIAL POSITION, CASH FLOWS, AND FINANCIAL PERFORMANCE

FINANCIAL POSITION

GATEWAY Group's total assets increased from €1,349.6 million as of December 31, 2021 by €61.6 million to a total of €1,411.2 million as of June 30, 2022.

On the assets side, the increase was primarily attributable to current assets, which rose by €61.6 million to a total of €1,068.5 million. Non-current assets increased slightly by 0.1% or €0.7 million to €342.8 million, thus being somewhat higher than the previous year's level.

The rise in current assets is mainly the result of the increase in inventories of €50.2 million. In addition to ongoing changes in inventories of finished goods and work in progress, a development property in Leipzig acquired in the second quarter of 2022 also was a reason for the increase in inventories. Moreover, current loan receivables rose by €13.4 million. Other non-financial assets increased by 9.3% or €7.2 million to a total of €77.3 million compared with the previous year's figure (€70.1 million). This was offset by the reduction in cash and cash equivalents by €5.0 million.

In terms of liabilities, the Group's non-current liabilities amounted to €287.8 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 €232.8 million (December 31, 2021: €186.7 million). The increase by 24.7% mainly results from taking out a promissory note loan in the first quarter.

Current liabilities totaled €717.9 million as of June 30, 2022 (December 31, 2021: €697.5 million). The largest portion of that amount (€141.1 million) refers to trade payables (December 31, 2021: €162.6 million). The decline by €21.5 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 €545.1 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 June 30, 2022 amounted to €405.5 million (December 31, 2021: €410.8 million). The decrease is the result of the negative consolidated total comprehensive income in the amount of €–5.2 million. Accordingly, the Group's equity ratio decreased slightly from 30.4% at the end of the prior year to now 28.7% as of June 30, 2022.

CASH FLOWS

The cash inflows and outflows in the first half of 2022 overall led to a decrease in cash as of June 30, 2022, primarily caused by cash outflows from operating activities in connection with the increase in inventories and the payments made to settle purchase price liabilities. This was offset by cash flows from financing activities, especially due to the taking out of a promissory note loan.

As described in the section on financial performance, the prior-year figures of the cash flow statement were also adjusted.

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CONDENSED CASH FLOW STATEMENT

in € thousand	01/01–06/30/2022	01/01–06/30/2021
Cash flows from operating activities	–68,017	–35,532
Cash flows from investing activities	–177	43,389
Cash flows from financing activities	63,193	–28,774
Net decrease/increase in cash and cash equivalents	**–5,001**	**–20,917**
Cash and cash equivalents as of 01/01	16,457	50,549
Cash and cash equivalents as of the end of the period	11,457	29,632

The negative cash flows from operating activities amounted to €–68.0 million in the first half of 2022. The cash outflows increased significantly compared to the prior-year period by €–32.5 million, which was attributable to the increase in inventories by €41.9 million (H1 2021: €31.5 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 €22.5 million were repaid. The positive cash flows from investing activities in the previous year in the amount of €43.4 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 half of 2022.

The positive cash flows from financing activities in the amount of €63.2 million are attributable to new financial loans in the amount of €90.3 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 €26.9 million. In the prior-year period, the negative cash flows from financing activities in the amount of €28.8 million primarily resulted from repayments of loans.

The net decrease resulting from the cash flows in the first half of 2022 described above totaled €5.0 million, resulting in a reduction of cash and cash equivalents to €11.5 million as of June 30, 2022. As of the previous reporting date (December 31, 2021), cash and cash equivalents had amounted to €16.5 million.

FINANCIAL PERFORMANCE

As a result of new knew knowledge gained in connection with the sale of almost the entire Commercial Properties Development segment conducted in the previous year, the prior-year figures were adjusted.

Already at the beginning of the previous year, GATEWAY announced to have concluded an agreement on the sale of the shares in Development Partner AG, including its subsidiaries, as well as in the three project development companies in Berlin (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH und Storkower Straße 142–146 PE GmbH). Accordingly, the Commercial Properties Development segment, being a material segment, met the criteria set out in IFRS 5 for classification as a discontinued operation. The criteria had already been met in the first quarter of the previous year, notably due to the sale that had been planned and completed in the previous year.

As a result, these companies were classified as discontinued operations in the half-year financial report of the previous year. Accordingly, based on the knowledge at that date, the entire Commercial Properties Development segment as well as Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH, which was previously allocated to the Residential Properties Development segment, were discontinued. As a result of an approval to be granted by the co-shareholder of the three Berlin-based companies pursuant to the Articles of Association, which ultimately, however, was not granted, three commercial properties development projects remain part of GATEWAY's portfolio and are planned to be sold over time.

In contrast, in the previous half-year, these three project companies were still allocated to the discontinued operation because it had to be assumed as of that date that the shareholders would grant their approval and a loss of control had occurred following the dismissal of the managing directors.

Therefore, the following section describes the changes between the current and the adjusted prior-year figures.

In the first half of the fiscal year 2022, the Group of Gateway Real Estate AG generated revenues in a total amount of €5.2 million (H1 2021: €14.9 million). These mainly result from lettings. The revenue reduction by €9.7 million to €5.2 million 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 in the prior-year period mainly resulted from the progress toward completion of three forward sales in the amount of €8.9 million.

Gross profit amounted to €53.1 million (H1 2021: €78.5 million), which, in addition to the revenues mentioned above, comprises changes in inventories of finished goods and work in progress of €41.1 million (H1 2021: €34.6 million) – largely consisting of capitalized construction costs and construction period interest – and other operating income in a total amount of €6.7 million (H1 2021: €29.0 million).

The decline in other operating income by €22.3 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. Taking into account the adjustment described above due to the failure to obtain shareholder approval, income from deconsolidation in the previous year decreased by a total of €14.1 million as a result of the partial reversal of the cash already received for the share disposal and the adjusted deconsolidation effects.

In the reporting period, the costs for raw materials and consumables used decreased by €25.6 million over the prior-year period to €3.8 million and mainly consist of the construction costs of the inventory properties (€22.3 million), acquisition costs for land (€0.1 million) as well as management costs for the rented properties (€3.2 million). In the first half of 2022, the employee benefits expense declined by €1.9 million to €2.0 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 €–2.7 million; the reduction is due to purchase price adjustments. Other operating expenses amounted to €2.9 million (H1 2021: €19.6 million). In the previous year, above all the contractual penalty in the amount of €16.0 million was subsequently recognized since this was not incurred due to the failure to obtain shareholder approval. In the first half of 2022, GATEWAY achieved an overall operating profit of €19.6 million (H1 2021: €23.5 million).

Net finance costs in the first half of 2022 amounted to €–24.3 million (H1 2021: €–15.3 million) and include finance costs of €28.0 million (H1 2021: €18.7 million). Finance costs are partially offset by finance income in the amount of €3.7 million (H1 2021: €3.4 million).

Earnings before tax (EBT) amounted to €–4.7 million (H1 2021: €8.2 million). After deducting income taxes of €0.5 million (H1 2021: €0.5 million), the consolidated loss for the first half of 2022 amounted to €–5.2 million (H1 2021: consolidated profit of €32.3 million). This corresponds to basic earnings per share of €–0.03 (H1 2021: €0.04) and diluted earnings per share of €–0.03 (H1 2021: €0.04). EBIT adjusted amounted to €19.6 million (H1 2021: €23.5 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 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 76.3% of the total population have primary immunization and around 62.0% have had one or two booster vaccinations (as of August 28, 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 pages 62.

6. 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 currently expects an adjusted EBIT of €125–140 million and consolidated earnings before taxes (EBT) of €70–85 million for the fiscal year 2022. The main drivers for business development are planned future sales in the context of forward sale transactions in the Residential Properties Development segment.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2022

IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2022

ASSETS

in € thousand	Note	06/30/2022	12/31/2021
Non-current assets			
Intangible assets and goodwill	6.1	16,152	16,118
Property, plant and equipment		676	753
Investment properties	6.2	286,466	286,460
Investments accounted for using the equity method		11	11
Non-current trade receivables		163	247
Other non-current financial assets	6.4	24,839	24,541
Other non-current non-financial assets	6.4	2,327	2,375
Deferred tax assets		12,147	12,201
		342,780	**342,706**
Current assets			
Inventories	6.3	797,347	747,189
Trade receivables		764	418
Income tax receivables		1,911	3,813
Other financial assets	6.4	138,525	125,151
Other non-financial assets	6.4	77,261	70,079
Cash and cash equivalents	6.5	11,457	16,457
Non-current assets held for sale	6.6	41,200	43,800
		1,068,465	**1,006,907**
		1,411,245	**1,349,613**

EQUITY AND LIABILITIES

in € thousand	Note	06/30/2022	12/31/2021
Equity			
Subscribed capital	6.7	186,764	186,764
Reserves	6.7	–389,131	–389,131
Retained earnings	6.7	600,239	605,879
Non-controlling interests	6.7	7,666	7,273
		405,538	**410,785**
Non-current liabilities			
Non-current financial liabilities	6.8	232,830	186,658
Deferred tax liabilities		53,823	53,552
Other non-current financial liabilities		1,191	1,130
		287,844	**241,340**
Current liabilities			
Current financial liabilities	6.8	545,112	501,028
Income tax liabilities		4,305	5,851
Trade payables	6.9	141,057	162,565
Other financial liabilities	6.9	26,713	26,912
Other non-financial liabilities	6.9	677	1,132
		717,864	**697,488**
		1,411,245	**1,349,613**

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM JANUARY 1 TO JUNE 30, 2022

in € thousand	Note	01/01–06/30/2022 Continuing operations	01/01–06/30/2022 Discontinued operations	01/01–06/30/2022 Total	01/01–06/30/2021 Continuing operations*	01/01–06/30/2021 Discontinued operations*	01/01–06/30/2021 Total*
Revenue	6.10	5,186	0	5,186	4,624	10,253	14,877
Changes in inventories of finished goods and work in progress	6.11	41,132	0	41,132	27,781	6,824	34,605
Other operating income	6.13	6,743	0	6,743	665	28,366	29,031
Gross profit		**53,061**	**0**	**53,061**	**33,070**	**45,443**	**78,513**
Raw materials and consumables used	6.12	–25,564	0	–25,564	–16,846	–12,563	–29,409
Employee benefits expense		–2,039	0	–2,039	–2,239	–1,677	–3,916
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale		–2,727	0	–2,727	–1,353	0	–1,353
Depreciation and amortization expense		–171	0	–171	–656	–34	–690
Other operating expenses	6.13	–2,940	0	–2,940	–18,942	–679	–19,621
Operating profit		**19,620**	**0**	**19,620**	**–6,966**	**30,490**	**23,524**
Finance income		3,684	0	3,684	3,242	–105	3,137
Finance costs		–27,956	0	–27,956	–14,948	–3,513	–18,461
Net finance costs	6.14	**–24,271**	**0**	**–24,271**	**–11,706**	**–3,618**	**–15,324**
Profit before tax		**–4,652**	**0**	**–4,652**	**–18,672**	**26,872**	**8,200**
Income tax expense	6.15	–526	0	–526	–385	–94	–479
Profit/loss for the period		**–5,178**	**0**	**–5,178**	**–19,057**	**26,778**	**7,721**
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income/loss for the period		**–5,178**	**0**	**–5,178**	**–19,057**	**26,778**	**7,721**
Attributable to equity holders of the parent company		–5,639	0	–5,639	–19,046	26,889	7,843
Attributable to non-controlling interests		461	0	461	–11	–111	–122
Earnings per share in € (basic)	6.16	–0.03	0.00	–0.03	–0.10	0.14	0.04
Earnings per share in € (diluted)	6.16	–0.03	0.00	–0.03	–0.10	0.14	0.04

*Previous year's figures have been adjusted (see Notes, section 2.4.).

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM APRIL 1 TO JUNE 30, 2022

		04/01–06/30/2022			04/01–06/30/2021		
in € thousand	Note	Continuing operations	Discon-tinued operations	Total	Continuing operations*	Discon-tinued operations*	Total*
Revenue	6.10	2,838	0	2,838	2,296	0	2,296
Changes in inventories of finished goods and work in progress	6.11	21,595	0	21,595	19,211	0	19,211
Other operating income	6.13	3,570	0	3,570	543	0	543
Gross profit		**28,003**	**0**	**28,003**	**22,050**	**0**	**22,050**
Raw materials and consumables used	6.12	–14,255	0	–14,255	–12,586	0	–12,586
Employee benefits expense		–1,072	0	–1,072	–1,317	0	–1,317
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale		–2,665	0	–2,665	208	0	208
Depreciation and amortization expense		–84	0	–84	–95	0	–95
Other operating expenses	6.13	–1,339	0	–1,339	–1,403	0	–1,403
Operating profit		**8,588**	**0**	**8,588**	**6,857**	**0**	**6,857**
Finance income		1,892	0	1,892	2,389	0	2,389
Finance costs		–14,149	0	–14,149	–9,107	0	–9,107
Net finance costs	6.14	**–12,257**	**0**	**–12,257**	**–6,718**	**0**	**–6,718**
Profit before tax		**–3,669**	**0**	**–3,669**	**139**	**0**	**139**
Income tax expense	6.15	1,299	0	1,299	32	0	32
Profit/loss for the period		**–2,370**	**0**	**–2,370**	**171**	**0**	**171**
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income/loss for the period		**–2,370**	**0**	**–2,370**	**171**	**0**	**171**
Attributable to equity holders of the parent company		–2,662	0	–2,662	174	0	174
Attributable to non-controlling interests		292	0	292	–3	0	–3
Earnings per share in € (basic)	6.16	–0.01	0.00	–0.01	0.00	0.00	0.00
Earnings per share in € (diluted)	6.16	–0.01	0.00	–0.01	0.00	0.00	0.00

*Previous year's figures have been adjusted (see Notes, section 2.4.).

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS

FROM JANUARY 1 TO JUNE 30, 2022

in € thousand	Note	01/01–06/30/2022	01/01–06/30/2021*
Cash flows from operating activities			
Total comprehensive income/loss for the period		–5,179	7,720
Adjustments for:			
Amortization of intangible assets		32	49
Depreciation of property, plant and equipment		139	641
Changes in fair value of investment properties and valuation of properties held as inventory	6.2	127	1,234
Changes in fair value of non-current assets held for sale (properties)	6.6	2,600	119
Distributions received from investments accounted for using the equity method		0	1,120
Impairment on trade receivables		35	–102
Other non-cash expenses/income		–6,382	8,536
Tax expenses	6.15	526	479
Profit or loss from the sale of property, plant and equipment		0	–3
Profit or loss from the sale of fully-consolidated subsidiaries		0	–27,954
Net finance costs	6.14	24,272	15,324
Changes in:			
Inventories		–41,884	–31,502
Trade receivables and other receivables		–297	–2,895
Other financial assets		–9,986	–1,230
Non-financial assets		–1,103	–9,992
Trade payables and other payables		–22,540	4,777
Non-financial liabilities		–455	913
Other provisions as well as assets and provisions for employee benefits		0	–12
Changes in other financial liabilities		–22	5,927
Assets and liabilities held for sale		0	4,250
Interest paid		–8,057	–12,115
Income taxes received		1,916	117
Income taxes paid		–1,759	–933
Cash flows from operating activities		**–68,017**	**–35,532**
Cash flows from investing activities			
Payments for investments in investment properties		–133	–175
Purchase of intangible assets		–67	–144
Purchase of property, plant and equipment		–62	–153
Payments for additions to consolidation group less cash and cash equivalents acquired		85	2,487
Sale of consolidated companies less cash and cash equivalents transferred		0	41,493
Cash outflows for investments in properties held for sale (IFRS 5)		0	–119
Cash flows from investing activities		**–177**	**43,389**
Cash flows from financing activities			
Cash inflows from new (financial) loans		90,300	16,238
Payments for lease liabilities		–174	–256
Repayments of loans		–26,933	–44,757
Cash flows from financing activities		**63,193**	**–28,774**
Net change in cash and cash equivalents		**–5,001**	**–20,917**
Cash and cash equivalents as of 01/01	6.5	16,457	50,549
Cash and cash equivalents as of the end of the period	6.5	**11,457**	**29,632**

*Previous year's figures have been adjusted (see Notes, section 2.4.).

IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM JANUARY 1 TO JUNE 30, 2022

		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 01/01/2021		**186,764**	**–389,131**	**557,411**	**355,044**	**4,776**	**359,820**
Profit/loss	6.7	0	0	7,843	7,843	–122	7,721
Change in the scope of consolidation/disposal of shares		0	0	0	0	–2,236	–2,236
Balance as of 06/30/2021		**186,764**	**–389,131**	**565,253**	**362,886**	**2,418**	**365,304**
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**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2022

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 €933 million (as of June 30, 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) currently (as of June 30, 2022) amounts to more than €7 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, 2022 were prepared by the Management Board on September 30, 2022 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, 2021. These consolidated financial statements represent the basis for the present interim financial statements.

As a result of the almost full disposal of the Commercial Properties Development segment and its activities in the first half of 2021, the transaction was classified and presented as a discontinued operation in accordance with IFRS 5. For further details, we refer to the explanations in the Annual Report on page 98.

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.

As a result of new knew knowledge gained in connection with the sale of almost the entire Commercial Properties Development segment conducted in the previous year, the prior-year figures were adjusted. For further details, we refer to the explanations in section 2.4.

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 and derivatives, 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, 2021 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 2021 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

Standard	Content	Mandatory first-time application for fiscal years beginning on or after
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018–2020 Cycle	01/01/2022
Amendments to IFRS 3	Business Combinations: Reference to the Conceptual Framework 2018	01/01/2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	01/01/2022
Amendments to IFRS 37	Provisions: Onerous Contracts – Cost of Fulfilling a Contract	01/01/2022
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	01/01/2022

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 2022 or that have yet to be endorsed by the EU.

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		
IFRS 17	Insurance Contracts	01/01/2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	01/01/2023
Amendments to IAS 8	Definition of Accounting Estimates	01/01/2023
Standards not yet endorsed by the EU and not yet required to be applied		
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01/01/2023
Amendments to IAS 1	Presentation of Financial Statements: Disclosure of Accounting Policies	01/01/2023
Amendments to IAS 1	Deferral of Effective Date	01/01/2023
Amendments to IAS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01/01/2023

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. Acquisition of shares in Baufeld 23 GmbH
Based on a share purchase agreement dated April 19, 2022, Gateway acquired 89.9% of the shares in Baufeld 23 GmbH for a purchase price of €22,475. The company will be consolidated for the first time as of June 30, 2022.

2.4 DISCONTINUED OPERATION

As a result of new knew knowledge gained in connection with the sale of almost the entire Commercial Properties Development segment conducted in the previous year, the prior-year figures were adjusted.

Already at the beginning of the previous year, GATEWAY announced to have concluded an agreement on the sale of the shares in Development Partner AG, including its subsidiaries, as well as in the three project development companies in Berlin (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH und Storkower Straße 142–146 PE GmbH). Accordingly, the Commercial Properties Development segment, being a material segment, met the criteria set out in IFRS 5 for classification as a discontinued operation. The criteria had already been met in the first quarter of the previous year, notably due to the sale that had been planned and completed at that time.

As a result, these companies were classified as discontinued operations in the half-year financial report of the previous year and were deconsolidated as control no longer existed as of the closing date. Accordingly, based on the knowledge at that date, the entire Commercial Properties Development segment as well as Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH, which was previously allocated to the Residential Properties Development segment, were discontinued. As a result of an approval to be granted by the co-shareholder of the three Berlin-based companies pursuant to the Articles of Association, which ultimately, however, was not granted, three commercial properties development projects remain part of GATEWAY's portfolio and are planned to be sold after completion.

In contrast, in the previous half-year, these three project companies were still allocated to the discontinued operation because it had to be assumed as of that date that the shareholders would grant their approval and a loss of control had occurred following the dismissal of the managing directors.

To enhance comparability between the reporting period and the prior-year period, the adjustments are explained in the following statements.

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ASSETS

in € thousand	06/30/2021 as reported	Adjustment	06/30/2021 adjusted
Non-current assets			
Intangible assets and goodwill	16,144	0	16,144
Property, plant and equipment	859	0	859
Investment properties	201,035	0	201,035
Investments accounted for using the equity method	28	0	28
Other non-current financial assets	69,054	–63,294	5,759
Other non-current non-financial assets	2,492	0	2,492
Deferred tax assets	7,355	1,168	8,523
	296,967	**–62,127**	**234,840**
Current assets			
Inventories	526,261	149,912	676,173
Trade receivables	1,693	–26	1,667
Income tax receivables	3,503	0	3,502
Other financial assets	195,164	–5,016	190,149
Other non-financial assets	63,013	344	63,358
Cash and cash equivalents	28,175	1,457	29,632
Non-current assets held for sale	38,400	0	38,400
	856,209	**146,672**	**1,002,881**
	1,153,176	**84,546**	**1,237,722**

The decline of non-current and current assets mainly results from the elimination of the still existing loan receivables (including interest) in the amount of €63.3 million, due from the three project companies following the inclusion in the scope of consolidation.

In terms of current assets, inventories rise considerably due to ongoing project developments in the amount of €149.9 million.

In line with inventories, current financial liabilities and trade payables also increase by €90.2 million and €3 million, respectively.

Other financial liabilities primarily increase due to the recognized contractual penalty of €16.0 million as well as the presentation of the purchase price receivables already received as advance payments in the amount of €4.1 million.

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EQUITY AND LIABILITIES

in € thousand	06/30/2021 as reported	Adjustment	06/30/2021 adjusted
Equity			
Subscribed capital	186,764	0	186,764
Reserves	–389,131	0	–389,131
Retained earnings	595,134	–29,881	565,253
Non-controlling interests	2,545	–127	2,418
	395,312	**–30,008**	**365,304**
Non-current liabilities			
Non-current financial liabilities	413,452	0	413,452
Deferred tax liabilities	35,332	1,078	36,410
Other non-current financial liabilities	1,346	–18	1,328
	450,130	**1,060**	**451,190**
Current liabilities			
Current financial liabilities	104,699	90,207	194,906
Income tax liabilities	4,229	152	4,381
Trade payables	191,131	3,008	194,138
Other financial liabilities	7,180	20,142	27,322
Other non-financial liabilities	495	–14	481
	307,734	**113,494**	**421,228**
	1,153,176	**84,546**	**1,237,722**

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	01/01–06/30/2021 as reported			01/01–06/30/2021 Adjustment			01/01–06/30/2021 adjusted		
in € thousand	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Revenue	4,625	10,252	14,877	–1	1	0	4,624	10,253	14,877
Changes in inventories of finished goods and work in progress	16,535	10,597	27,132	11,246	–3,773	7,473	27,781	6,824	34,605
Other operating income	667	42,443	43,110	–2	–14,077	–14,079	665	28,366	29,031
Gross profit	**21,827**	**63,292**	**85,119**	**11,243**	**–17,849**	**–6,606**	**33,070**	**45,443**	**78,513**
Raw materials and consumables used	–8,957	–15,125	–24,082	–7,889	2,562	–5,327	–16,846	–12,563	–29,409
Employee benefits expense	–2,239	–1,677	–3,916	0	0	0	–2,239	–1,677	–3,916
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale	–1,353	0	–1,353	0	0	0	–1,353	0	–1,353
Depreciation and amortization expense	–656	–34	–690	0	0	0	–656	–34	–690
Other operating expenses	–2,870	–719	–3,589	–16,072	40	–16,032	–18,942	–679	–19,621
Operating profit	**5,752**	**45,737**	**51,489**	**–12,718**	**–15,247**	**–27,965**	**–6,966**	**30,490**	**23,524**
Finance income	3,440	–87	3,353	–198	–18	–216	3,242	–105	3,137
Finance costs	–12,138	–4,755	–16,893	–2,810	1,242	–1,568	–14,948	–3,513	–18,461
Net finance costs	**–8,698**	**–4,842**	**–13,540**	**–3,008**	**1,224**	**–1,784**	**–11,706**	**–3,618**	**–15,324**
Profit before tax	**–2,946**	**40,895**	**37,949**	**–15,726**	**–14,023**	**–29,749**	**–18,672**	**26,872**	**8,200**
Income tax expense	36	–518	–482	–421	424	3	–385	–94	–479
Profit/loss for the period	**–2,910**	**40,377**	**37,467**	**–16,147**	**–13,599**	**–29,746**	**–19,057**	**26,778**	**7,721**
Other comprehensive income	0	0	0	0	0	0	0	0	0
Total comprehensive income/loss for the period	**–2,910**	**40,377**	**37,467**	**–16,147**	**–13,599**	**–29,746**	**–19,057**	**26,778**	**7,721**
Attributable to equity holders of the parent company	–2,772	40,495	37,723	–16,274	–13,606	–29,880	–19,046	26,889	7,843
Attributable to non-controlling interests	–138	–118	–256	127	7	134	–11	–111	–122
Earnings per share in € (basic)	–0.02	0.22	0.20	–0.08	–0.08	–0.16	–0.10	0.14	0.04
Earnings per share in € (diluted)	–0.02	0.22	0.20	–0.08	–0.08	–0.16	–0.10	0.14	0.04

The disposal of the entire Commercial Properties Development segment, as presented in the previous half-year financial report, led to a result from deconsolidation in the amount of €42.2 million. This figure also included the result from deconsolidation of the three commercial property developments in Berlin. Since these companies remain in the scope of consolidation, the result from deconsolidation reported in other income of the discontinued operation was reduced by €14.1 million due to the resulting adjustments.

In addition, contractual penalties were incurred in the amount of €16.0 million that were reported as other operating expenses of the continuing operation.

Moreover, current earnings of the three now fully consolidated subsidiaries are included in the consolidated statement of comprehensive income and overall result in an increase of changes in inventories of finished goods and work in progress by €7.5 million and of the costs for raw materials and consumables used by €5.3 million. This also resulted in an increase in net finance costs by €1.8 million.

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in € thousand	04/01–06/30/2021 as reported Continuing operations	Discontinued operations	Total	04/01–06/30/2021 Adjustment Continuing operations	Discontinued operations	Total	04/01–06/30/2021 adjusted Continuing operations	Discontinued operations	Total
Revenue	2,296	0	2,296	0	0	0	2,296	0	2,296
Changes in inventories of finished goods and work in progress	12,433	0	12,433	6,778	0	6,778	19,211	0	19,211
Other operating income	543	0	543	0	0	0	543	0	543
Gross profit	**15,272**	**0**	**15,272**	**6,778**	**0**	**6,778**	**22,050**	**0**	**22,050**
Raw materials and consumables used	–7,407	0	–7,407	–5,179	0	–5,179	–12,586	0	–12,586
Employee benefits expense	–1,317	0	–1,317	0	0	0	–1,317	0	–1,317
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale	208	0	208	0	0	0	208	0	208
Depreciation and amortization expense	–95	0	–95	0	0	0	–95	0	–95
Other operating expenses	–1,369	0	–1,369	–34	0	–34	–1,403	0	–1,403
Operating profit	**5,292**	**0**	**5,292**	**1,565**	**0**	**1,565**	**6,857**	**0**	**6,857**
Finance income	2,605	0	2,605	–216	0	–216	2,389	0	2,389
Finance costs	–7,766	0	–7,766	–1,341	0	–1,341	–9,107	0	–9,107
Net finance costs	**–5,161**	**0**	**–5,161**	**–1,557**	**0**	**–1,557**	**–6,718**	**0**	**–6,718**
Profit before tax	**131**	**0**	**131**	**8**	**0**	**8**	**139**	**0**	**139**
Income tax expense	32	0	32	0	0	0	32	0	32
Profit/loss for the period	**163**	**0**	**163**	**8**	**0**	**8**	**171**	**0**	**171**
Other comprehensive income	0	0	0	0	0	0	0	0	0
Total comprehensive income/loss for the period	**163**	**0**	**163**	**8**	**0**	**8**	**171**	**0**	**171**
Attributable to equity holders of the parent company	136	0	136	38	0	38	174	0	174
Attributable to non-controlling interests	27	0	27	–30	0	–30	–3	0	–3
Earnings per share in € (basic)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Earnings per share in € (diluted)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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in € thousand	01/01–06/30/2021 as reported	01/01–06/30/2021 Adjustment	01/01–06/30/2021 adjusted
Cash flows from operating activities			
Total comprehensive income/loss for the period	37,467	–29,747	7,720
Adjustments for:			
Amortization of intangible assets	49	0	49
Depreciation of property, plant and equipment	641	0	641
Changes in fair value of investment properties and valuation of properties held as inventory	1,234	0	1,234
Changes in fair value of non-current assets held for sale (properties)	119	0	119
Distributions received from investments accounted for using the equity method	1,120	0	1,120
Impairment on trade receivables	–102	0	–102
Other non-cash expenses/income	–464	9,000	8,536
Tax expenses	482	–3	479
Profit or loss from the sale of property, plant and equipment	–3	0	–3
Profit or loss from the sale of fully-consolidated subsidiaries	–42,107	14,153	–27,954
Net finance costs	13,540	1,784	15,324
Profit or loss from investments accounted for using the equity method	0	0	0
Other finance income/costs, net	0	0	0
Changes in:			
Inventories	–24,030	–7,472	–31,502
Trade receivables and other receivables	–2,865	–30	–2,895
Other financial assets	–2,813	1,583	–1,230
Non-financial assets	–10,093	101	–9,992
Trade payables and other payables	4,450	327	4,777
Non-financial liabilities	1,949	–1,036	913
Other provisions as well as assets and provisions for employee benefits	–12	0	–12
Changes in other financial liabilities	–5,204	11,131	5,927
Assets and liabilities held for sale	4,250	0	4,250
Interest paid	–8,367	–3,748	–12,115
Income taxes received	117	0	117
Income taxes paid	–933	0	–933
Cash flows from operating activities	**–31,575**	**–3,975**	**–35,532**

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in € thousand	01/01–06/30/2021 as reported	01/01–06/30/2021 Adjustment	01/01–06/30/2021 adjusted
Cash flows from investing activities			
Payments for investments in investment properties	–175	0	–175
Purchase of intangible assets	–144	0	–144
Purchase of property, plant and equipment	–110	–43	–153
Payments for additions to consolidation group less cash and cash equivalents acquired	2,487	0	2,487
Sale of consolidated companies less cash and cash equivalents transferred	39,868	1,625	41,493
Cash outflows for investments in properties held for sale (IFRS 5)	–119	0	–119
Interest received	0	0	0
Cash inflows from the sale of other financial assets	0	0	0
Purchase of other financial assets	0	0	0
Cash flows from investing activities	**41,807**	**1,582**	**43,389**
Cash flows from financing activities			
Cash inflows from new (financial) loans	12,406	3,832	16,238
Payments for lease liabilities	–256	0	–256
Other equity-related measures	0	0	0
Repayments of loans	–44,756	0	–44,756
Transaction costs for loans and borrowings	0	0	0
Dividends paid to shareholders of the parent company	0	0	0
Fees for financial liabilities not utilized	0	0	0
Cash flows from financing activities	**–32,606**	**3,832**	**–28,774**
Net change in cash and cash equivalents	**–22,374**	**1,457**	**–20,917**
Cash and cash equivalents as of 01/01	50,549	0	50,549
Cash and cash equivalents as of the end of the period	**28,175**	**1,457**	**29,632**

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 companies. The management issues written guidelines for overall risk management and for certain areas such as interest rate risks, default risks and liquidity management.

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

To limit the receivables default risk, ownership of sold properties is generally transferred to the buyer only after payment of the purchase price. Interest rate risks are not significant due to the predominantly short-term nature of borrowings.

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 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.

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	06/30/2022	12/31/2021
Equity	405,538	410,785
Total assets	1,411,245	1,349,613
Equity ratio (in %)	28.7	30.4

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

						06/30/2022
	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	2,582	0	0	0	2,582	3
Total	**2,582**	**0**	**0**	**0**	**2,582**	
Financial assets not measured at fair value						
Trade receivables	0	0	927	0	927	
Other receivables	0	0	5,611	0	5,611	
Contract assets	0	0	1,900	0	1,900	
Loans	0	0	153,164	0	153,164	2
Security deposits for leased office space	0	0	82	0	82	
Cash and cash equivalents	0	0	11,457	0	11,457	
Total	**0**	**0**	**173,141**	**0**	**173,141**	
Total financial assets	**2,582**	**0**	**173,141**	**0**	**175,723**	

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FINANCIAL LIABILITIES

				06/30/2022
	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	742	0	742	3
Total	**742**	**0**	**742**	
Financial liabilities not measured at fair value				
Liabilities to banks	0	318,627	313,863	2
Liabilities to related companies	0	29,331	29,331	2
Liabilities under corporate bonds to third parties	0	184,474	183,716	2
Liabilities to third parties from exchange-listed corporate bonds	0	69,693	61,580	1
Loan liabilities to third parties	0	185,864	183,314	2
Trade payables	0	141,057	141,057	2
Other financial liabilities	0	16,658	16,658	
Lease liabilities	0	450	n/a	
Contract liabilities	0	8	8	
Total	**0**	**946,161**	**929,527**	
Total financial liabilities	**742**	**946,161***	**930,269**	

* 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 €945,711 thousand.

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FINANCIAL ASSETS

	Carrying amount in € thousand				Fair value in € thousand	Level of fair value hierarchy
						12/31/2021
	Mandatorily at FVtPL	Financial assets – FVtOCI	Financial assets – AmC	Financial liabilities – AmC		
Financial assets measured at fair value						
Equity investments	2,582	0	0	0	2,582	3
Embedded derivatives	0	0	0	0	0	
Total	**2,582**	**0**	**0**	**0**	**2,582**	
Financial assets not measured at fair value						
Trade receivables	0	0	665	0	665	
Other receivables	0	0	5,526	0	5,526	2
Contract assets	0	0	959	0	959	
Loans	0	0	140,555	0	140,555	2
Security deposits for leased office space	0	0	67	0	67	
Cash and cash equivalents	0	0	16,457	0	16,457	
Total	**0**	**0**	**164,229**	**0**	**164,229**	
Total financial assets	**2,582**	**0**	**164,229**	**0**	**166,811**	

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FINANCIAL LIABILITIES

	Carrying amount in € thousand		Fair value in € thousand	Level of fair value hierarchy
				12/31/2021
	Mandatorily at FVtPL	Financial liabilities – AmC		
Financial liabilities measured at fair value				
Liabilities, non-controlling interests	742	0	742	3
Total	**742**	**0**	**742**	
Financial liabilities not measured at fair value				
Liabilities to banks	0	237,755	245,810	2
Liabilities to related companies	0	98,889	98,889	2
Liabilities to third parties from corporate bonds	0	166,976	170,280	1
Liabilities to third parties from exchange-listed corporate bonds	0	72,669	71,341	2
Loan liabilities to third parties	0	185,266	190,620	2
Trade payables	0	98,741	98,741	
Other financial liabilities	0	16,586	16,586	
Lease liabilities	0	616	n/a	
Contract liabilities	0	53	53	
Total	**0**	**877,551**	**892,320**	
Total financial liabilities	**742**	**877,551***	**893,062**	

* 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 €681,523 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: actors considered for measuring the asset or liability that are not based on observable market data (unobservable inputs)

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.

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	Derivative financial instruments	Equity investments FVtPL
Balance as of January 1, 2021	**2,435**	**2,637**
Gains (losses) recognized in finance costs	0	–5
Additions	0	0
Disposals from consolidation group	–2,435	–50
Balance as of December 31, 2021	**0**	**2,582**
Gains (losses) recognized in finance costs		0
Additions		0
Disposals		0
Balance as of June 30, 2022	**0**	**2,582**

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 2022. 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 6.15.

- 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. There were no other provisions recognized as of the reporting date (previous year: €0.4 million). 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.

- There is scope for discretion in determining the time and amount of revenue recognition in accordance with the principles of IFRS 15. If a binding sales contract already exists for a property under development, revenue recognition based on a time period in accordance with the estimated stage of completion can also be considered in addition to revenue recognition based on a specific point in time. This applies accordingly to revenue recognition for undertakings included in the financial statements using the equity method. We refer to Note 6.10.

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.

Already at the beginning of the previous year, GATEWAY announced to have concluded an agreement on the sale of the shares in Development Partner AG, including its subsidiaries, as well as in the three project development companies in Berlin (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH und Storkower Straße 142–146 PE GmbH). Therefore, these companies were classified as discontinued operations in the half-year financial report of the previous year. Accordingly, based on the knowledge at that date, the entire Commercial Properties Development segment as well as Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH, which was previously allocated to the Residential Properties Development segment, were discontinued. As a result of an approval to be granted by the co-shareholder pursuant to the Articles of Association, which ultimately, however, was not granted, three commercial properties development projects remain part of GATEWAY's portfolio and are planned to be sold over time.

In contrast, in the previous half-year, these three project companies were still allocated to the discontinued operation because it had to be assumed as of that date that the shareholders would grant their approval.

Due to this new information, the respective companies had to be reported as part of the Commercial Properties Development segment already for the previous year's half-year financial report. The presentation in the previous year's half-year financial report was adjusted accordingly.

The individual segments are described in the following:

— **Standing Assets:** This segment covers a profitable and diverse portfolio of existing properties. As a result of the strategic expansion to also construct residential properties for the Company's own portfolio (build-to-hold), as resolved in October 2020, the Standing Assets segment also comprises residential property projects that are held and managed in the long term to generate sustainable revenues. 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. Due to the sale of the shares held in Development Partner AG, the activities in this segment are now concentrated on Berlin. Upon the planned sale of the properties classified as inventories, the corresponding activities in the Commercial Properties Development segment will be discontinued in line with the amended business strategy.

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. The elimination of intra-group balances regarding segment assets mainly results in the consolidation of receivables (€220,294 thousand) of the Standing Assets segment which are due from the Residential Properties Development and the Commercial Properties Development segments. The consolidation of the liabilities (€220,294 thousand) matching the receivables is the main effect as regards segment liabilities.

Revenue from third parties (external revenue) is generated exclusively in Germany; 92.0% of this revenue is attributable to the Standing Asset segment and 8.0% 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.

in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group 06/30/2022
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	–24,727
Profit before tax	–2,286	993	–72	–3,288	-4,653

in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group 06/30/2021
Revenue from third parties (external revenue)	3,699	0	925	0	4,624
Intersegment revenue (internal revenue)	357	0	0	–357	0
Revenue	**4,056**	**0**	**925**	**–357**	**4,624**
Segment result (operating profit)	–19,804	3,287	11,306	–1,755	–6,966
Net finance costs	–92	–2,449	–6,301	–2,864	–11,706
Profit before tax	–19,896	838	5,005	–4,619	–18,672

In the fiscal year 2021, Development Partner AG, including its subsidiaries, was sold and accounted for as a discontinued operation as of the 2021 reporting date. Since neither IFRS 8 nor IFRS 5 contain rules as regards the accounting for discontinued operations, they are not included in segment reporting. The values presented per line item in the column “Group” in connection with the statement of comprehensive income refer to the continuing operations.

in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group 06/30/2022
Segment assets	718,199	214,990	709,272	–231,216	1,411,245
Segment liabilities	377,225	203,293	645,508	–220,319	1,005,708

in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group 12/31/2021
Segment assets	703,083	179,000	683,906	–216,376	1,349,613
Segment liabilities	359,183	177,995	609,561	–207,911	938,828

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	06/30/2022	12/31/2021
Goodwill	15,913	15,913
Other intangible assets	172	204
Advance payments made for intangible assets – cost	67	0
Total	**16,152**	**16,118**

The goodwill arising as part of the reverse acquisition in 2018 breaks down as follows, unchanged from the previous year:

— €6,124 thousand are allocated to the group of CGUs “Standing Assets”;
— €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 12/31/2021	**286,460**
Additions	133
Changes in market value	–127
Balance as of 06/30/2022	**286,466**

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	06/30/2022	06/30/2021
Rental revenues	2,357	1,908
Revenues from operating costs	1,495	704
Revenues from cost charges to others and building cost subsidies	9	35
Administration costs (operating costs, maintenance, administration, etc.)	–2,036	–1,074
Total	**1,824**	**1,573**

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, 2021. 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 €18,582 thousand was capitalized as part of the construction costs in the first half of 2022.

The total carrying amount of all inventory properties as of June 30, 2022 was €797,347 thousand. Upon the purchase of Baufeld 23 Entwicklungs GmbH as of April 19, 2022, inventories increased by €8,132 thousand. As of the reporting date, inventory properties mainly consist of Projektentwicklung Borussia Dresden Blüherpark (€89,793 thousand), of Projektentwicklung Borussia Köln Deutz Quartiere (€373,606 thousand), of SKE Immo Sulzbach GmbH (S.à r.l.) (€54,746 thousand), of Beteiligungsgesellschaft Berlin-Heinersdorf 18 GmbH (€36,245 thousand) as well as of Gateway Hamburg Seevestraße GmbH (€35,376 thousand).

The development of inventories is presented in the table below:

—

in € thousand	06/30/2022	12/31/2021
Projektentwicklung Borussia Köln Deutz Quartiere	373,606	360,836
Projektentwicklung Borussia Dresden Blüherpark	89,793	87,072
Storkower Straße 142–146 PE GmbH	84,521	70,965
Revaler Straße 32 PE GmbH	82,745	78,545
SKE Immo Sulzbach GmbH (S.à.r.l.)	54,746	54,730
Beteiligungsgesellschaft Berlin Heinersdorf GmbH	36,245	35,329
Gateway Hamburg Seevestraße GmbH	35,376	35,151
Storkower 140 PE GmbH	24,745	18,874
Baufeld 23 Entwicklungs GmbH	8,352	0
Gateway Achtzehnte GmbH	5,893	5,687
Soho Mannheim	1,325	0
Total	**797,347**	**747,189**

6.4 OTHER ASSETS

Other assets mainly comprised the following items:

—

in € thousand	06/30/2022	12/31/2021
Other financial assets:		
Loans – at amortized cost	153,164	140,555
thereof to related parties	52,398	29,007
Other receivables – at amortized cost	5,611	5,504
thereof to related parties	4,819	1,267
Equity investments – measured at FVtPL	2,607	2,607
Contract assets	1,900	959
Security deposits	82	67
	163,364	**149,692**
thereof non-current	24,839	24,541
thereof current	138,525	125,151
Other non-financial assets:		
Other assets	73,589	67,483
thereof to related parties	0	0
Prepaid expenses	2,617	2,675
Value added tax credits	3,382	2,295
	79,588	**72,453**
thereof non-current	2,327	2,374
thereof current	77,261	70,079

The increase in other financial assets of €13,672 thousand in comparison with the previous year is largely attributable to additional loans granted to the project company of the residential project in Leipzig that was acquired in the previous year but that has not yet been transferred (€9,300 thousand).

The increase in other non-financial assets of €7,135 thousand is largely attributable to 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 assets.

6.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly consisted of overnight bank deposits and amounted to €11,457 thousand as of June 30, 2022 (December 31, 2021: €16,457 thousand).

6.6 ASSETS HELD FOR SALE

The assets held for sale changed as follows:

—

in € thousand	
Balance as of 12/31/2021	**43,800**
Addition	0
Disposal	0
Change in market value	–2,600
Balance as of 06/30/2022	**41,200**

The remaining property of Gateway Fünfte GmbH, Frankfurt am Main, was measured on the basis of Level 2 input factors. In the previous year, the property had been measured in line with the procedure applied to investment properties on the basis of the fair value as of December 31, 2021 as determined by an independent expert, i.e. using Level 3 inputs.

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

—

in € thousand	06/30/2022	06/30/2021
Rental revenues	470	443
Revenues from operating costs	156	113
Revenues from cost charges to others and building cost subsidies	95	98
Administration costs (operating costs, maintenance, administration, etc.)	–341	–522
Total	**380**	**133**

The operating expenses were incurred primarily for leased properties.

The determination of the fair value was generally based on Level 3 input factors, i.e., factors not based on observable market data (unobservable input factors). Accordingly, the agreed selling prices are used for properties where the transaction and the selling price already are reasonably certain. In such cases, the fair value is calculated on the basis of Level 2 input factors that can be observed for the asset directly (i.e. as the price).

6.7 EQUITY

As of June 30, 2022, 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 FINANCIAL LIABILITIES

Financial liabilities break down as follows:

—

in € thousand	06/30/2022	12/31/2021
Non-current financial liabilities		
Liabilities to third parties	101,174	98,815
Liabilities to third parties from bonds	69,693	69,693
Liabilities to banks	61,963	18,150
	232,830	**186,658**
Current financial liabilities		
Liabilities to banks	256,664	219,605
Liabilities to third parties from bonds	184,474	169,953
Liabilities to third parties	84,690	86,451
Liabilities to related parties	19,284	25,020
Total	**545,112**	**501,028**

The increase in non-current financial liabilities of €46,172 thousand mainly results from the promissory note loans borrowed in connection with the purchase of Projektentwicklung Hamburg Seevestraße (€44,241 thousand) and from adjustments to maturities.

The terms of the non-current financial liabilities in the amount of €232,830 thousand are longer than one year.

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 primarily results from the utilization of the credit facilities for financings of building construction activities of Berliner Sparkasse referring to Berliner Projektgesellschaft Storkower Str. 142–146 PE GmbH (€36,002 thousand) and the takeover of an existing construction financing (€7,000 thousand) referring to Baufeld 23 Entwicklungs GmbH, which was acquired in April of the fiscal year.

No payment delays or breaches of contract occurred with respect to financial liabilities in the reporting period.

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.

6.9 TRADE PAYABLES AND OTHER PAYABLES

Trade payables in the amount of €141,057 thousand (previous year: €162,565 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 €49.9 million from the purchase of shares in Borussia Development GmbH.

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

—

OTHER FINANCIAL LIABILITIES

in € thousand	06/30/2022	12/31/2021
Lease liabilities	450	616
Contract liabilities	8	53
Liabilities, non-controlling interests	742	74
Security deposits received	164	164
Other	26,540	26,467
thereof to related parties	10,047	10,045
	27,904	**28,042**
thereof non-current	1,191	1,130
thereof current	26,713	26,912

The "Other" item 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 Straßer 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	06/30/2022	12/31/2021
Liabilities for personnel	168	511
VAT liabilities	23	205
Deferred income	183	155
Other	303	261
	677	**1,132**
thereof current	677	1,132

6.10 REVENUE

The Group generated revenue of €5,186 thousand in the period from January 1 to June 30, 2022. GATEWAY mainly generates revenues from the rental of investment properties and inventory properties, the sale of inventory properties, and the provision of services. Operating cost settlements and building subsidies received are other income sources. Specifically, revenues break down as follows:

—

in € thousand	Q1–Q2 2022	Q1–Q2 2021
Rental revenues in accordance with IFRS 16		
Rental revenues from investment properties	2,517	1,908
Rental revenues from IFRS 5 properties	470	443
Rental revenues on inventory properties	313	1,826
Rental revenues from sub-letting	3	2
	3,303	**4,179**
Rental revenues in accordance with IFRS 15		
Revenues from operating costs	1,620	865
Revenues from operating costs – IFRS 5 properties	156	113
Revenues from cost charges to others and building cost subsidies	105	133
Revenues from services	1	433
Revenues from the sale of inventory properties	0	9,153
	1,883	**10,698**
thereof over time	1,777	10,565
thereof at a point in time	105	133
Total	**5,186**	**14,877**

Of the overall revenue, €1,883 thousand fall under the scope of IFRS 15 and €3,303 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.

The reduction in revenue compared to the previous year is largely attributable to the disposal of the Commercial Properties Development segment in the previous year's first quarter and the associated decline in revenue recognized over time from forward sales.

6.11 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 €18,582 thousand (June 30, 2021: €13,178 thousand) in capitalized interest on borrowed capital. The major changes in inventories arise from the projects Borussia Köln (€12,890 thousand), Borussia Dresden (€2,600 thousand) and Storkower Straße 142–146 PE GmbH (€13,805 thousand).

—

in € thousand	Q1–Q2 2022	Q1–Q2 2021
Increase in inventory due to purchase of properties, construction activity and capitalization of interest on borrowed capital	41,132	34,605
Total	**41,132**	**34,605**

6.12 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 2022	Q1–Q2 2021
Land	116	5.464
Construction costs	11,522	13,895
Project development costs	6,016	5,938
Other ancillary construction costs	4,703	1,140
Administration costs	3,207	2,972
Total	**25,564**	**29,409**

The purchase price of Gateway Achtzehnte GmbH resulted in relatively high acquisition costs for land in the first half of 2021. Other ancillary construction costs, which increased in 2022, primarily resulted from the companies Revaler Straße 32 PE (€465 thousand), Storkower Straße 140 PE GmbH (€2,301 thousand) as well as Storkower Straße 142–146 PE GmbH & Co. KG (€1,847 thousand).

6.13 OTHER OPERATING INCOME AND EXPENSES

Other operating income includes the following amounts:

—

in € thousand	Q1–Q2 2022	Q1–Q2 2021
Capitalization of interest	6,025	0
Income from the reduction of liabilities	357	464
Other prior-period income	65	0
Income from insurance benefits	5	182
Gains from the disposal of property, plant and equipment	0	3
Income from deconsolidation	0	28,161
Income from the reversal of specific valuation allowances	0	140
Other	291	82
Total	**6,743**	**29,031**

In the prior-year period, income from deconsolidation resulted from the disposal of companies as part of the disposal of the Commercial Properties Development segment as of March 16, 2021. Contractual penalties of €16.0 million were also incurred in this context.

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.

Other operating expenses include the following amounts:

in € thousand	Q1–Q2 2022	Q1–Q2 2021
Legal and consulting expenses	828	1,034
Non-deductible input tax	418	252
Selling expenses	320	266
Expenses for insurance, premiums and dues	258	410
Accounting, financial statements and auditing expenses	234	494
Travel expenses	102	93
IT expenses	79	213
Non-lease component in accordance with IFRS 16 (lessee)	46	73
Payment transaction costs and other financing expenses	45	207
Other tax expenses	41	61
Specific valuation allowances and bad debt losses	35	38
Continuing education expenses	5	4
Administrative expenses	3	0
Lease expenses	2	0
Other project development costs that cannot be capitalized	0	100
Indemnity for damages	0	0
Deconsolidation expense	0	132
Contractual penalties	0	16,000
Remuneration of the Supervisory Board	–6	65
Other	530	181
Total	**2,940**	**19,621**

6.14 NET FINANCE COSTS

Net finance costs can be broken down as follows:

in € thousand	Q1–Q2 2022	Q1–Q2 2021
Finance income	3,684	3,137
Interest expenses for leases	–8	–21
Finance costs	–27,947	–18,440
Total	**–24,271**	**–15,324**

The finance costs predominantly result from borrowings to finance the development projects as well as standing assets. An amount of €18,582 thousand of these interest expenses was capitalized (see Note 6.11).

6.15 INCOME TAX EXPENSE

The income tax expense for the first half of 2022 amounted to €526 thousand (H1 2021: €479 thousand). The effective tax rate amounts to 11.3%.

6.16 EARNINGS PER SHARE

Basic and diluted earnings per share are as follows:

in €	Q1–Q2 2022	Q1–Q2 2021
Earnings per share	**–0.03**	**0.04**

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 2022	Q1–Q2 2021
Profit attributable to owners of the parent company	–5,639	7,843
Profit attributable to holders of common shares	–5,639	7,843

in thousands of shares	Q1–Q2 2022	Q1–Q2 2021
	186,764	186,764

6.17 RELATED PARTY TRANSACTIONS

A. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

On May 7, 2020, SN Beteiligungen Holding AG, Switzerland, sold all of its shares in the Company to Norbert Ketterer. In this context, Norbert Ketterer notified the Company that his share of voting rights in Gateway Real Estate AG on May 7, 2020 amounted to 66.24%, with 66.19% of the voting rights being directly held and 0.05% of the voting rights representing voting rights attributed to him. Since May 7, 2020, Norbert Ketterer personally is the controlling majority shareholder and the controlling company within the meaning of Section 312 AktG.

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).

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.

SN Beteiligungen Holding AG, Switzerland, still has to be classified as a related company as it is also controlled by Norbert Ketterer.

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.

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 deferred. The interest rate for the deferral is 9%.

The company YN Beteiligungen Holding AG, Switzerland, is a company controlled by Yannick Patrick Heller. In accordance with IAS 24, Mr. Keller 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

All the shares in Development Partner AG, Duesseldorf, were sold by Gateway Real Estate AG 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 50% of the purchase price for the shares attributable to YN Beteiligungen Holding AG, Switzerland, amounted to €47.35 million and was increased by €0.9 million to €48.163 million due to a contract amendment of 16 March 2021. An amount of €19.8 million of the purchase price were 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 receivables, including interest, due from YN Beteiligungen Holding AG, Switzerland, total €29.9 million as of June 30, 2021.

The carrying amount of the still existing loan receivables due to Development Partner AG, Duesseldorf, amount to €68.9 million as of June 30, 2022.

As a result of the 50% control exercised by the related company YN Beteiligungen Holding AG, Switzerland, these loans also have to be classified as related party transactions. The loans break down as follows as of June 30, 2022:

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Date of contract	Borrower/related party	Amount in € thousand	Interest rate in %	Outstanding amount as of 06/30/2022 in € thousand	End of contract term
01/13/2020	Development Partner AG, Duesseldorf	8,048	4.25	8,889	12/31/2023
05/13/2019	Development Partner AG, Duesseldorf	960	2.00	1,025	12/31/2023
12/15/2021	Development Partner AG, Duesseldorf	10,800	4.25	11,049	12/31/2023
09/13/2021	Development Partner AG, Duesseldorf	7,800	4.25	8,064	12/31/2023
01/01/2020	Development Partner AG, Duesseldorf	13,154	4.25	14,552	12/31/2023
01/01/2021	Development Partner AG, Duesseldorf	6,592	4.25	7,012	12/31/2023
01/14/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	8,501	4.25	9,390	12/31/2023
09/18/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	535	4.25	573	12/31/2023
01/28/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	50	4.25	55	12/31/2023
09/27/2019	Projektentwicklung Campus Park München, Duesseldorf	1,175	4.25	1,487	12/31/2023
10/09/2019	Projektentwicklung Campus Park München, Duesseldorf	2,380	4.25	2,567	12/31/2023
05/17/2019	Projektentwicklung Technologiecampus Großraum Stuttgart GmbH, Duesseldorf	3,980	2.00	4,269	12/31/2023

In addition, there is a liability to Development Partner AG, 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. Another liability in the amount of €1.0 million results from the profit and loss transfer agreement existing until February 28, 2021.

Due to the fact that the compensation of net profit for the period from January 1 to February 28, 2021 was contractually agreed between YN Beteiligungen Holding AG, Switzerland, and the additional buyer, there is a receivable from the buyers, which they owe in equal parts.

Moreover, advance payments of €2 million was already made by YN Beteiligungen Holding AG, 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 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 Holding AG, Switzerland: am Blüherpark (previously Gerchgroup Dresden Quartiere am Blüherpark) 1–12 UGs, (UG 1–8 meanwhile converted to 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 million was deferred until March 31, 2022 (interest rate: 4.25%).

As of June 30, 2022, 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 million) have a carrying amount of €46.8 million, plus interest in the amount of €3.1 million. In contrast, the purchase price liability for the acquisition of the project Borussia Dresden in a total amount of €14 million, including interest, was fully repaid to SN Beteiligungen Holding AG, Switzerland, in the first quarter of 2022.

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

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Borrower	Project	Amount in € thousand	Interest rate in %	Outstanding amount as of 06/30/2022 in € thousand	End of contract term
Borussia Development GmbH, Duesseldorf	Cologne Deutz	1,992	10.00	2,406	12/31/2022
Borussia Development GmbH, Duesseldorf	Cologne Deutz	4,109	10.00	5,185	12/31/2022
Borussia Development GmbH, Duesseldorf	Dresden	8,606	10.00	10,045	12/31/2022
Borussia Development GmbH, Duesseldorf	Dresden	1,341	10.00	1,647	12/31/2022

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, 2022, 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.

The loan granted in the amount of €6.6 million, including interest, in connection with the acquisition of Gateway Hamburg Seevestraße GmbH (formerly Maize Zizania Property GmbH) was fully repaid in the first quarter of 2022.

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, 2022.

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 approx. €210 million. The acquisition of Baufeld 23 Entwicklungs GmbH was completed as of April 19, 2022. The closing of the purchase of shares in Virtus Sechsundzwanzig Beteiligungs GmbH is still subject to conditions precedent and is scheduled for November 2022.

In the course of the abovementioned project acquisition, Gateway Real Estate AG in turn granted loans to the company to be acquired or its subsidiaries. As of June 30, 2022, their carrying amounts are as follows

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Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of 06/30/2022 in € thousand	End of contract term
Leipzig 416 GmbH	10,312	4.25	10,568	12/31/2022
Leipzig 416 Management GmbH	8,669	4.25	8,881	12/31/2022
Virtus 26 Beteiligungs GmbH	925	4.25	963	12/31/2022

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 2022. The company has to be classified as a related company as it is controlled by the Chairman of the Supervisory Board. The planning contracts have already been awarded in 2021 and comprises work stages (Leistungsphasen, LP) 1 to 4 of 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.

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 of the first half of 2022, there were no transactions or legal matters involving this group of persons that had to be reported (previous year: €29 thousand).

6.18 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Disposal of a standing asset in Leipzig

The standing asset in Leipzig, which is reported as non-current assets held for sale, was sold as of July 29, 2022, midnight.

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 30, 2022

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 28-30, 2022	Deutsches Eigenkapitalforum
November 30, 2022	Publication of quarterly statement (publication date Q3)

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