2024

HALF-YEAR FINANCIAL REPORT AS OF JUNE 30

GATEWAY
REAL ESTATE

AT A GLANCE

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KEY FINANCIAL INDICATORS

in € thousand	01/01–06/30/2024	01/01–06/30/2023
Financial performance indicators		
Revenue	43,344	4,871
Gross profit	57,170	88,571
EBIT adjusted	14,494	23,642
EBT	–14,512	–10,746
Consolidated profit/loss	–15,195	–13,884
Earnings per share in €	–0.08	–0.07
Financial position and liquidity ratios	**06/30/2024**	**12/31/2023**
Total assets	1,374,676	1,384,797
Equity	197,647	212,842
Equity ratio	14.4%	15.4%
Cash and cash equivalents	3,078	8,121
Net financial debt	959,252	953,632
Portfolio indicators	**06/30/2024**	**12/31/2023**
Average gross development volume (GDV) in € billion	5	5
Number of projects (as of end of June)	10	10

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

ABOUT US

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

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

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

OVERVIEW OVER THE FIRST SIX MONTHS

2024

GATEWAY RECORDS POSITIVE EBIT ADJUSTED IN THE FIRST HALF

CONSOLIDATED EARNINGS DECLINE TO €–15.2 MILLION IN THE FIRST HALF OF 2024

EBIT ADJUSTED REACHES €14.5 MILLION IN THE FIRST HALF OF 2024

GROSS DEVELOPMENT VOLUME (GDV) AMOUNTS TO €5 BILLION AS OF JUNE 30, 2024

EARNINGS PER SHARE AMOUNT TO €–0.08 IN THE FIRST HALF OF 2024

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

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

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INTERIM GROUP MANAGEMENT REPORT

1. FUNDAMENTAL INFORMATION ON THE GROUP AND STRATEGY

Gateway Real Estate AG (in the following also referred to as "GATEWAY", "Company" or "Group", in each case referring to the GATEWAY Group as a whole) is a listed developer of residential real estate in Germany with a market capitalization of around €50 million (as of June 28, 2024). Established in 2006, GATEWAY and its subsidiaries can look back on extensive expertise in the German real estate market. The gross development volume (GDV) currently (as of June 30, 2024) amounts to more than €5 billion.

In this context, GATEWAY focuses on Germany's Top 8 cities – such as Berlin, Dresden, Duesseldorf, Frankfurt am Main, Cologne, Leipzig, Munich and Stuttgart – as well as on selected high-growth areas and covers all of the important steps in the value creation chain of a development project with its own in-house teams. In all of its project developments, GATEWAY pursues the strategy of generating attractive margins and, at the same time, minimizing the project development risk by means of a detailed process management. Apart from sales transactions, GATEWAY increasingly seeks to develop residential real estate for long-term holding and administration (build-to-hold) to generate sustainable rental revenues in the context of its extended corporate strategy. Accordingly, the Standing Assets and Residential Properties Development segments will be expanded further in the medium term.

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

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

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

2. BUSINESS DEVELOPMENT

In the first half of 2024, the existing project developments progressed as planned, while maturing financing arrangements were extended.

By way of purchase agreements dated May 22, 2024, two building plots (Baufeld 1 and Baufeld 10) of the SoHo Mannheim project development were disposed at a purchase price of €134.3 million in total. The purchase agreement for Baufeld 1 comes into force subject to the approval of one contracting party. The approval will take the form of a notarial amendment; the details of such amendment are being finalized by the parties and the notarization of which is expected shortly.

Moreover, the Company closed the sale of the Hamburg Seevestraße project site at a purchase price of €35.0 million and redeemed the associated financing arrangements. A purchase agreement was signed for the Duisburg standing asset for a price of €6.8 million, and the sale of the investment property was subsequently completed.

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

3. ECONOMIC FRAMEWORK

MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

CURRENT DEVELOPMENT

In the first half of 2024, the global economy was affected by geopolitical uncertainties. Following the Houthi attacks in the Red Sea, merchant ships have been taking long detours. The intensification of the fights in Lebanon might result in an escalation of the conflict in the region, and overlapping territorial claims are leading to tensions in the Taiwan Strait and the South China Sea.

According to the German Economic Institute in Cologne, global trade rose by 1.8% in June 2024 compared to the previous year, while global production increased by 1.5%. Growth momentum was provided by the United States, where real GDP grew strongly in the first two quarters of 2024 despite a restrictive monetary policy. In China, the real estate crisis and weak consumption are weighing on growth.

In the second quarter of 2024, seasonally adjusted gross domestic product (GDP) in both the eurozone and the EU rose by 0.2% compared to the previous quarter, according to estimates published by the Statistical Office of the European Union (Eurostat). Compared to the second quarter of the previous year, growth amounted to 0.6% in the eurozone and 0.8% in the EU.

According to Destatis, GDP fell by 0.1% in the second quarter compared to the previous quarter and was up 0.3% compared to the same quarter of the previous year. According to the Federal Ministry for Economic Affairs and Climate Action, domestic industrial production fell primarily as a result of lower foreign demand. Declines were also recorded in service sectors such as trade, transport and hospitality.

Since the beginning of 2024, inflation in the eurozone has largely stabilized at a low level and stood at 2.5% in June 2023, according to Eurostat. This means that inflation hovered at the upper end of the two percent target corridor. Nevertheless, the European Central Bank (ECB) lowered its interest rate for its main refinancing operations by 25 basis points to 4.25% on June 12, 2024 and by 60 basis points to 3.65% on September 18, 2024.

FORECAST

In its World Economic Outlook (WEO) update from July 2024, the International Monetary Fund (IMF) estimates that the global economy will grow by 3.2% in 2024 and by 3.3% in 2025. According to the European Commission, GDP in the European Union is likely to increase by 1.0% in 2024 and to rise further in 2025. For the eurozone, the ECB expects economic growth of 0.8% in 2024; the growth rate in the following years is expected to amount to 1.3% and 1.5%, respectively.

The ECB expects inflation to rise again in the second half of 2024 and to fall back towards the target corridor in the second half of next year. According to the June projections, headline inflation will amount to an average of 2.5% in 2024, 2.2% in 2025, and 1.9% in 2026. Core inflation is expected to fall from 2.9% in 2024 to 2.3% in 2025 and to 2.0% in 2026.

SOCIODEMOGRAPHIC DEVELOPMENT

According to the German Federal Statistical Office (Destatis), 84.7 million people lived in Germany at the end of 2023. The population grew by 0.3 million people compared to the end of 2022. This increase corresponds to the average increase for the years 2012 to 2021.

According to Destatis, the number of births in Germany in the first half of 2024 was approximately 331,000, which is 2.8% below the figure in the same period in 2023. For the full year 2023, the number of births of 693,000 was offset by 1.03 million deaths (2022: 1.07 million).

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

One reason for this is the migration from the eastern to the western federal states that began after German reunification. Another reason for the stronger population growth in western Germany is the higher immigration from abroad in relation to the number of inhabitants. Between 1991 and 2022, positive net migration in the eastern federal states (excluding Berlin) amounted to around 1.2 million people. In contrast, net immigration to the western federal states was around seven times as high at just under 8.9 million people.

According to the most recent microcensus data of 2022, Germany had a total of 40.9 million private households. Of these, 32.5 million households were in western Germany and 8.4 million in eastern Germany. Around 16.7 million were one-person households, 13.8 million were two-person households, and 10.4 million households were households with at least three persons.

According to Destatis, around 11.9 million households had at least one child, where 5.9 million households had one child, 4.4 million households had two children, and 1.5 million households had three or more children. In 2022, 77.7% of the total population lived in cities.

Nearly 42% of the households lived in owner-occupied apartments in 2022, according to Destatis, and 58% of the households live in rented accommodation. Tenants paid an average monthly gross basic rent (not including utilities) of €598. The share of the household's net income spent for the gross basic rent was 27.9% on average. The largest shares were recorded in Bremen (30.8%) and Hamburg (30.3%), while the lowest shares were attributable to the states of Saxony (23.3%) and Thuringia (24.2%).

ECONOMIC DEVELOPMENT IN GERMANY AND IN GATEWAY'S FOCUS CITIES

For the second quarter of 2024, Destatis reported a 0.1% decline in GDP adjusted for price, seasonal and calendar effects compared to the previous quarter. In the first quarter of 2024, GDP had increased by 0.2% compared to the previous quarter. According to the German Federal Ministry for Economic Affairs and Climate Action, the export-oriented industry is suffering from weak incoming orders and falling order backlogs. In July, nominal exports remained at the previous month's level after having fallen sharply before. Adjusted for price, calendar and seasonal effects, output in the manufacturing sector fell by 2.4% in July compared to the previous month. Service sectors also recorded falling demand. The consumer sentiment has deteriorated further, although private households have more purchasing power thanks to a slight increase in real wages. There are currently no signs of an imminent upturn in consumer spending.

In August 2024, the Federal Ministry for Economic Affairs and Climate Action reported an inflation rate of 1.9%, which has thus fallen below the target of 2% again. This was mainly due to above-average inflation of 3.9% for services, while food prices only rose by 1.5%. Due to price-dampening effects, energy prices declined by 5.1% compared to the previous year.

The weak economy is having an impact on the labor market. On a seasonally adjusted basis, the number of people registered as unemployed in August 2024 rose by 2,000 compared to the previous month. The Federal Ministry for Economic Affairs and Climate Action does not expect the labor market to pick up in the second half of the year.

In June 2024, 1,653 companies filed for insolvency, which represents a decline of 14.5% compared to May 2024, but an increase of 6.8% over June 2023. According to the Federal Ministry, the reasons for this include the restrained economic development and catch-up effects from the previous years, which were characterized by special regulations and historically low insolvency figures.

Among the GATEWAY focus cities, Munich had the lowest unemployment rate, reaching 4.8% in August 2024 (+0.4 percentage points year-on-year). This was followed by Soest with a rate of 6.4% (+0.4 percentage points), Augsburg at 6.4% (+0.5 percentage points), Frankfurt am Main at 6.6% (+0.5 percentage points), and Dresden at 6.1% (+0.3 percentage points). In both Mannheim and Leipzig, the unemployment rate was 7.7% (+0.3 and +0.2 percentage points, respectively), and 8.1% in Duesseldorf (+0.9 percentage points). The highest unemployment rates for August 2024 were reported for Chemnitz (9.0%; +0.1 percentage points), Cologne (9.1%; +0.1 percentage points) and Berlin (9.9%; +0.5 percentage points).

DEVELOPMENT OF REAL ESTATE MARKETS

According to BNP Paribas Real Estate, the consolidation and pricing phase on the German office market that began in 2023 found its end in the first half of 2024. The persistently higher financing costs have now been accepted. However, buyers are looking for secure real estate investments in the six largest German cities to a more than average extent. The ECB's interest rate cuts are likely to be seen as a signal to focus more on real estate investments again. Continued moderate inflation also gives hope for further interest rate cuts, which should be reflected in lower financing costs.

On the demand side, the population growth of the past two years and the rising proportion of single-person households suggest that demand for housing will remain high, although the supply situation is tight. The general conditions for the German office markets are also unlikely to change much in the coming quarters and will remain challenging for the time being in view of the weak economic outlook.

According to JLL, transactions totaling €15.7 billion were entered into on the German real estate market in the first half of 2024. After the first quarter had amounted to €6.3 billion and thus had been down 19% on the previous year, activity increased noticeably in the second quarter, meaning that the transaction volume for the first half of 2024 was 10% higher than in the first half of 2023. However, the market environment remains difficult for many companies in the real estate and construction industry. Investors and financing banks are still working hard to find solutions and implement restructuring measures.

RESIDENTIAL REAL ESTATE MARKET

The German residential market continues to be characterized by high demand and a lack of supply. The reasons for this include a lack of building land in cities, high requirements for building permits, high construction costs and high financing costs. Both building permits and completions are declining. According to Destatis, 17,000 residential building permits were issued in Germany in July 2024, 19.2% fewer than in the same month last year. In the first half of 2024, approvals for the construction of 106,700 apartments were granted, a decline by 21.1% or 28,500 apartments compared with the previous year. The German government's target of 400,000 newly built apartments in 2024 as a whole is therefore likely to be missed by a wide margin, as was already the case in 2023.

The creation of affordable housing in German cities remains a major challenge. According to JLL, increased financing and construction costs have made numerous residential construction projects more difficult. Many construction projects have been postponed or canceled. This means that the trend of recent years – with more apartments being completed than newly approved – will continue in 2024. The fact that a large number of already granted building permits eventually lapsed also contributed to this development. In 2023, 22,700 permits were affected, compared to 22,800 building permits in the previous year.

In view of the large gap between housing demand and supply, according to JLL, asking rents also rose in the first half of 2024, albeit less than in the previous six months. Berlin recorded the highest rent increase in the first half of 2024, with rents rising +11.4% compared to the previous year to an average of €19.50 per square meter per month. Frankfurt am Main followed with a +9.4% increase to an average of €17.72. Rents in Duesseldorf increased by 7.0% to €13.91, while Munich (+3.2%) and Cologne (+1.4%) recorded the lowest rent increases among Germany's largest metropolitan areas. However, Munich remains the city with the highest average residential rents (€22.96). In Stuttgart, the average rent is €16.15. From a tenant's perspective, Leipzig – with an average rent of €9.80 – is still one of the more affordable residential real estate markets among the major German cities.

In the case of condominiums, the decline in asking prices continued in all major cities in the first half of 2024, albeit at a slower pace, according to JLL. The costs for new and existing apartments were lower by an average of around 3.6% compared to the previous year. The strongest decline was recorded for Frankfurt am Main, where prices fell by −6.5%. In contrast, Hamburg recorded the smallest decrease (−0.6%). JLL observed that the increase in the number of residential listings was offset by a decline in actual sales figures in many major cities. However, the average price of new build apartments in the eight largest cities fell only slightly by around −1.3% compared to the previous year. In Duesseldorf and Leipzig, prices for new build units rose by +4.1% and +8.7%, respectively. In contrast, prices for new build apartments in Hamburg and Munich fell significantly by −5.0% and −5.2% respectively, with Munich remaining the most expensive major city in Germany at €11,000 per square meter in the first half of 2024.

After a weak start to the year, BNP Paribas Real Estate registered a significant upturn in transactions on the German residential market in the first six months of 2024. Larger residential portfolios (30 residential units or more) worth around €3.3 billion were sold across Germany in the first half of 2024. While this is an increase of 25% over the prior-year period, it represents a decline of 59% compared with the long-term average. Berlin accounted for the largest transaction volume (€1.87 billion). This includes the sale of a standing asset portfolio for €700 million from Vonovia to the municipal housing company Howoge. With a share of 76%, German investors dominated the residential transaction market, in which the public sector was the largest buyer group in the first half of 2024, accounting for 36% of sales.

OFFICE MARKET

According to JLL, the volume of office property transactions amounted to a total of €3 billion in the first half of 2024. This corresponds to the level of the first half of 2023, which in turn was 75% below the first half of 2022. Office properties therefore accounted for 19% of the transaction volume in Germany in the first half of 2024, after logistics (22%) and the residential sector (24%). One reason for this is that investors are uncertain about the future of the office properties. Although companies are increasing occupancy rates again, hybrid forms of work that combine working in the office with remote working models are increasingly being used. It is therefore not yet possible to predict how much space office work will require in the long term.

Take-up on the German office real estate market reflects the weak overall economy. According to figures from BNP Paribas Real Estate, around 1.26 million sqm of office space was leased in the first half of 2024. This is the same level as in the same period of the previous year (1.23 million sqm), but 40% below the level of the first six months of 2022. Munich was the office market with the highest take-up in the first half of 2024 with 293,000 sqm. While this is an increase in rented space of 24% compared to mid-2023, it represents a decline of 15% compared with the long-term average. At 281,000 sqm, take-up in Berlin exceeded that of the first half of 2023 by 7%, but remained 20% below the long-term average. In terms of take-up, Frankfurt am Main is the third-largest office market in the first half of 2024. At 215,000 sqm, the level of the comparable period was exceeded by 13% and the volume was only 5% below the long-term average.

The office real estate markets continue to have comparatively high vacancy rates. According to calculations made by BNP Paribas Real Estate, the space available in the short term amounted to 7.1 million sqm across Germany by mid-2023, which is around 26% more than a year before. The proportion of vacant offices is highest in Duesseldorf (11.0%) and Frankfurt am Main (10.5%), followed by Munich (6.7%), Berlin (6.5%), Hamburg (4.7%), Leipzig (4.6%) and Cologne (4.5%).

According to BNP Paribas Real Estate, the highest prime rent per square meter by far is paid in Munich at €52.00. Among the largest German office markets, the increase of prime rents over the course of the year was the strongest in Munich (11%).

4. FINANCIAL POSITION, CASH FLOWS, AND FINANCIAL PERFORMANCE

FINANCIAL POSITION

GATEWAY Group's total assets declined from €1,384.8 million as of December 31, 2023 by €10.1 million to a total of €1,374.7 million as of June 30, 2024.

In terms of assets, the decline is mainly attributable to current assets, which declined overall by €15.7 million to €1,055.1 million. The main reason for this is the decrease of other financial assets by €24.8 million, which is attributable to the offsetting of receivables with other financial liabilities in the amount of €23.5 million. Inventories increased by a total of €15.6 million, which also compensated for the disposal of the Hamburg Seevestraße project development in the amount of €35.0 million due to capitalized interest and ongoing construction activities. Cash and cash equivalents declined by €5.0 million to €3.1 million.

In addition, non-current assets increased by €5.6 million to €319.5 million, which is attributable to the increase in investment properties by €2.5 million to €241.0 million. There were offsetting effects within this item, caused by the sale and disposal of the Duisburg standing asset in the amount of €6.8 million and other construction activities as well as measurement effects, particularly in connection with the standing asset SoHo Mannheim BF1 in the amount of €9.0 million. In addition, current interest led to a decrease in other non-current financial assets by €2.0 million to €66.0 million.

In terms of liabilities, the Group's non-current liabilities amounted to €267.1 million as of the reporting date (December 31, 2023: €156.5 million); the major portion of that amount is attributable to non-current financial liabilities of €175.1 million (December 31, 2023: €119.1 million). Due to extension agreements with effect from June 30, 2024, trade payables of €53.9 million and other financial liabilities of €40.3 million were reclassified from current to non-current liabilities.

Current liabilities totaled €909.9 million as of June 30, 2024 (December 31, 2023: €1,015.5 million). The largest portion of that amount (€788.3 million) refers to current financial liabilities (December 31, 2023: €810.2 million). The decrease of €31.8 million results from the adjustment of maturities as well as the increase of liabilities from accrued interest. Moreover, an amount of €110.8 million was attributable to trade payables (December 31, 2023: €161.1 million), which declined substantially by €50.3 million as a result of the above-mentioned loan extension. The reduction of other financial liabilities by €23.3 million is attributable to the offsetting against other financial liabilities described above.

The GATEWAY Group's equity as of June 30, 2024 amounted to €197.6 million (December 31, 2023: €212.8 million). The decrease is the result of the consolidated total comprehensive loss of €–15.2 million. As a result of higher total assets, the Group's equity ratio therefore amounted to 14.4% as of June 30, 2024.

CASH FLOWS

The cash inflows and outflows in the first half of fiscal year 2024 overall led to a decrease in cash as of June 30, 2024, primarily caused by cash flows from financing activities. The reasons for the cash outflows are repayments due to the redemption of the financing for the Hamburg Seevestraße project in the amount of €35.0 million. The sale led to cash inflows from operating activities in the same amount. These were reduced, however, by the progressing construction activities and the related expansion of inventories.

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CONDENSED CASH FLOW STATEMENT

in € thousand	01/01–06/30/2024	01/01–06/30/2023
Cash flows from operating activities	–2,162	–68,408
Cash flows from investing activities	–9,658	–306
Cash flows from financing activities	6,777	66,156
Net decrease/increase in cash and cash equivalents	**–5,043**	**–2,558**
Cash and cash equivalents as of 01/01	8,121	8,951
Cash and cash equivalents as of the end of the period	3,078	6,393

The negative cash flows from operating activities amounted to €–2.2 million in the first half of 2024. The cash inflows increased significantly compared to the prior-year period by €66.2 million, which was attributable to the disposal of the Hamburg Seevestraße project site in the amount of €35.0 million as well as the relatively smaller increase in inventories by €15.6 million (H1 2023: €48.1 million) as a result of construction activities in relation to project developments. Therefore, the negative cash flows from operating activities accordingly were reduced to €–2.2 million (H1 2023: €–68.4 million). At the same time, outstanding trade payables in the amount of €5.0 million were paid in the previous year. The negative cash flows from investing activities mainly comprised payments for investments in investment properties in the amount of €16.4 million. This was offset by proceeds from the sale of the standing asset in Duisburg in the amount of €6.8 million.

The positive cash flows from financing activities in the amount of €6.7 million are attributable to new financial loans or drawdowns of financial loans in the amount of €59.6 million. The loan funds were primarily used to finance the ongoing construction activities for the SoHo Mannheim project development and the Berlin project developments in the Commercial Properties Development segment. This was offset by the repayment of loans in the amount of €52.8 million, mainly the redemption of the loan payable in connection with the financing of the Hamburg Seevestraße project in the amount of €25.4 million.

The net decrease resulting from the cash flows in the first half of 2024 described above totaled €5.0 million, resulting in a reduction of cash and cash equivalents to €3.1 million as of June 30, 2024. As of the previous reporting date (December 31, 2023), cash and cash equivalents had amounted to €8.1 million.

FINANCIAL PERFORMANCE

In the first half of the fiscal year 2024, the Group of Gateway Real Estate AG generated revenues in a total amount of €43.3 million (H1 2023: €4.9 million). These revenues primarily from the sale of the Hamburg Seevestraße project site at a purchase price of €35.0 million. At the same time, lettings increased considerably by €2.5 million to €8.3 million.

Gross profit amounted to €57.2 million (H1 2023: €88.6 million), which, in addition to the revenues mentioned above, comprises changes in inventories of finished goods and work in progress of €12.9 million (H1 2023: €75.1 million) – largely consisting of the disposal of the Hamburg Seevestraße project site in the amount of €–35.0 million and of capitalized construction costs and construction period interest – and other operating income in a total amount of €0.9 million (H1 2023: €8.5 million). The sharp decline in other operating income is the result of lower project-related expenses that can be capitalized (€4.3 million) for an undeveloped plot of land for the Mannheim project development. The associated land purchase had not yet been completed on a prorated basis as of the reporting date and was therefore reported under other non-financial assets. Moreover, in the previous year, there was income from recourse claims in the amount of €3.5 million, with other operating expenses being incurred in the same amount.

Compared to the previous year's period, changes in inventories of finished goods and work in progress decreased by €62.0 million due to the aforementioned disposal of the Hamburg Seevestraße project site. Adjusted for this effect, changes in inventories would only have decreased by €27.0 million due to a decline in construction activities compared to the same period of the previous year.

In the reporting period, the costs for raw materials and consumables used decreased accordingly by €23.0 million over the prior-year period to €28.6 million and mainly consist of the construction costs of the inventory properties (€26.0 million) as well as management costs for the rented properties (€2.6 million). In the first three months of 2024, the employee benefits expense fell by €0.3 million to €2.1 million as a result of a lower headcount. 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, mainly as a result of measurement effects due to signed purchase agreements. Other operating expenses declined by €1.5 million to €9.1 million. The reason for this decrease is the utilization of a guarantee in the amount of €3.5 million recognized in the previous year. This was offset by specific loss allowances on receivables in the amount of €5.5 million, which amounted to €3.5 million in the previous year.

In the first half of fiscal year 2024, GATEWAY achieved an overall operating profit of €14.5 million (H1 2023: €23.6 million).

Net finance costs in the first half of 2024 amounted to €–29.0 million (H1 2023: €–34.4 million) and include finance costs of €35.1 million (H1 2023: €40.2 million). Finance costs are partially offset by finance income in the amount of €6.0 million (H1 2023: €5.8 million).

Earnings before tax (EBT) amounted to €–14.5 million (H1 2023: €–10.7 million). After deducting income taxes of €0.7 million (H1 2023: €3.1 million), the consolidated loss for the first half of 2024 amounted to €–15.2 million (H1 2023: consolidated loss of €–13.9 million). This corresponds to basic earnings per share of €–0.08 (H1 2023: €–0.07) and diluted earnings per share of €–0.08 (H1 2023: €–0.07). EBIT adjusted amounted to €14.5 million (H1 2023: €23.6 million).

5. REPORT ON RISKS AND OPPORTUNITIES

The risks that Gateway Real Estate AG is exposed to within the framework of its business activities, as well as the opportunities arising for the Company were described in detail in the 2023 Annual Report, which was published on September 23, 2024, on pages 42–49. In this context, the Group's risk management system was explained, property-specific and company-specific risks and their respective probability of occurrence were presented as well as their potential financial effects were classified based on a risk classification.

Up to the publication of the half-year financial report 2024 on September 30, 2024, there were no new facts or changes in the assessment of the opportunities and risks described in the 2023 Annual Report.

The Management Board would like to expressly draw attention to the risks to the company as a going concern in the area of financing risk with existing external financing arrangements reported under financial liabilities.

Current financial liabilities amount to €778.3 million as of the reporting date and were not covered by agreed refinancing or sales proceeds in the amount of €671.2 million. An amount of €63.5 million of the loans was extended as part of the negotiations with the individual lenders. As regards extensions of financing arrangements with a volume of €528.4 million that have not yet been agreed, the borrowers have sufficient collateral in the form of land charges and/or guarantees from related parties, which means that the financing arrangements are expected to be extended. In exceptional cases, GATEWAY would also accept the realization of the collateral provided. Overall, the continuation of the Group as a going concern depends on whether it is able to realize project sales to generate sufficient liquidity for the Group to ensure the above-mentioned continuation. If, contrary to expectations, a material portion of the financing arrangements extended up to the date of preparation is actually not extended and the sale of projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the Group would be at risk. However, the realization of collateral for individual projects would not jeopardize the continuation of the Group as a going concern.

Negotiations are currently being held with financing partners as regards the repayment and extension of the Group's material financing agreements. Accordingly, the situation for the Group is as follows at the moment:

BORUSSIA KÖLN PROJECT DEVELOPMENT:
Both junior and senior financing agreements for the Cologne project development with a carrying amount of €266,866 thousand were extended initially until June 28, 2024 by way of an agreement dated May 17, 2024 and May 28, 2024. The Company is currently in negotiations and talks regarding a longer-term solution, which should be achieved already in 2024 if possible.

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

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

SOHO MANNHEIM PROJECT DEVELOPMENT:
Collateral in the form of a guarantee in the amount of €15,000 thousand had already been provided by the Group's ultimate parent company in the past for the extended bond with a carrying amount of €50,256 thousand. Moreover, the bond is collateralized for the benefit of the lenders by way of land charges on the properties underlying the financing with a total carrying amount of €75,497 thousand as of June 30, 2024.

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

DRESDEN BLÜHERPARK PROJECT DEVELOPMENT:
The acquisition financing for the project development and also for the existing commercial property in Dresden Blüherpark has a nominal loan amount of €87,000 thousand, plus interest of €9,380 thousand payable upon final maturity and a term until October 31, 2024. Real estate assets secured by land charges with a carrying amount of €189,165 thousand and pledges of shares are used as collateral. In light of ongoing discussions with various investors, the Management Board assumes that the loan amounts will be repaid in an orderly manner.

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

STANDING ASSET IN AUGSBURG:
The investment property in Augsburg is financed by the Group's ultimate parent company until May 31, 2024 through a loan with a nominal amount of currently €41,896 thousand. Real estate assets secured by land charges with a carrying amount of €99,100 thousand are used as collateral. In addition, Norbert Ketterer provided a guarantee as principal debtor (selbstschuldnerische Bürgschaft) for the total loan amount of €42,400 thousand as collateral for the loan. On May 16, 2024, a special repayment of €2,276 thousand was made, reducing the loan amount to a total of €39,620 thousand. Negotiations are currently held with a new financing partner to take over the existing financing and to lend funds for further project development costs. In the agreement dat-

ed June 17, 2024, the current lender agreed to extend the existing financing subject to further payments in the course of the 2024 fiscal year. To that extent, a closing fee of €594 thousand was paid on August 26, 2024 and interest in the amount of €427 thousand was paid on August 29, 2024, which resulted in the repayment date being postponed for the time being to December 31, 2024.

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

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

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

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

In this context, we expressly refer to the statements in the report on risks and opportunities in the 2023 Group management report in section 3.2.2 under the heading "Financing risks" on page 42 ff. as well as on the description of significant events after the reporting date in section 7.8 on page 124 ff.

As part of the half-year financial report, the Management Board of Gateway Real Estate AG would like to expressly point out that no external valuation of our properties and development projects was conducted as of June 30, 2024. This is normally performed at the end of a fiscal year. The most recent external valuation was made in the context of the financial statements for the period ended December 31, 2023.

Financial difficulties of other companies may open up opportunities to acquire properties in particularly attractive locations or subject to particularly favorable terms. In addition, the macroeconomic development, which is dominated by the pandemic and the war in Ukraine, may result in a subdued increase of the purchase prices in certain local real estate markets or segments of real estate markets, or may lead to flat or even falling price levels. This would also offer the opportunity to acquire properties at prices that are lower than originally assumed. For further details, we refer to the report on opportunities in the 2023 Annual Report on page 49.

6. REPORT ON EXPECTED DEVELOPMENTS

OUTLOOK FOR THE GATEWAY GROUP

By way of an ad hoc release dated September 17, 2024, GATEWAY issued a qualified forecast for the fiscal year 2024. For the current year 2024, the Company expects an EBIT adjusted of €20–30 million and earnings before taxes (EBT) of €2.5–7.5 million based on the results already achieved and the positive progress of recent negotiations. The main drivers for business development are sales already performed and still planned in the Residential Properties Development segment.

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

In view of the business development in the first half of 2024, the Management Board confirms this forecast.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2024

IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2024

ASSETS

in € thousand	Note	06/30/2024	12/31/2023
Non-current assets			
Intangible assets and goodwill	6.1	0	0
Investment properties	6.2	240,985	238,527
Other non-current financial assets	6.4	66,041	64,057
Other non-current non-financial assets	6.4	2,056	1,431
Deferred tax assets		10,454	9,940
		319,536	**313,955**
Current assets			
Inventories	6.3	935,522	919,906
Trade receivables		1,242	989
Income tax receivables		112	229
Other financial assets	6.4	49,338	74,119
Other non-financial assets	6.4	65,848	67,478
Cash and cash equivalents	6.5	3,078	8,121
Non-current assets held for sale	6.6	0	0
		1,055,140	**1,070,842**
		1,374,676	**1,384,797**

EQUITY AND LIABILITIES

in € thousand	Note	06/30/2024	12/31/2023
Equity			
Subscribed capital	6.7	186,764	186,764
Reserves	6.7	–389,131	–389,131
Retained earnings	6.7	393,404	407,308
Non-controlling interests	6.7	6,610	7,901
		197,647	**212,842**
Non-current liabilities			
Non-current financial liabilities	6.9	175,096	119,135
Deferred tax liabilities		37,964	36,937
Other non-current financial liabilities		175	433
Non-current trade receivables		53,903	0
		267,138	**156,505**
Current liabilities			
Other current provisions	6.8	3,859	3,881
Current financial liabilities	6.9	778,316	810,147
Income tax liabilities		6,313	6,557
Trade payables		110,764	161,113
Other financial liabilities		8,741	32,038
Other non-financial liabilities		1,898	1,714
		909,891	**1,015,450**
		1,374,676	**1,384,797**

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM JANUARY 1 TO JUNE 30, 2024

in € thousand	Note	01/01–06/30/2024	01/01–06/30/2023
Revenue		43,344	4,871
Changes in inventories of finished goods and work in progress	6.12	12,890	75,152
Other operating income	6.14	936	8,548
Gross profit		**57,170**	**88,571**
Raw materials and consumables used	6.13	–28,605	–51,567
Employee benefits expense		–2,143	–2,437
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale		–2,735	–167
Depreciation and amortization expense		–51	–89
Other operating expenses	6.14	–9,142	–10,669
Operating profit		**14,494**	**23,642**
Finance income		6,065	5,846
Finance costs		–35,071	–40,234
Net finance costs	6.15	**–29,006**	**–34,388**
Profit/loss before tax		**–14,512**	**–10,746**
Income tax expense	6.16	–683	–3,138
Profit/loss for the period		**–15,195**	**–13,884**
Other comprehensive income/loss		0	0
Total comprehensive income/loss for the period		**–15,195**	**–13,884**
Attributable to equity holders of the parent company		–13,905	–14,185
Attributable to non-controlling interests		–1,290	301
Earnings per share (basic)	6.17	–0.08	–0.07
Earnings per share (diluted)	6.17	–0.08	–0.07

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM APRIL 1 TO JUNE 30, 2024

in € thousand	Note	04/01–06/30/2024	04/01–06/30/2023
Revenue		4,144	2,931
Changes in inventories of finished goods and work in progress	6.12	23,872	37,845
Other operating income	6.14	222	6,182
Gross profit		**28,238**	**46,958**
Raw materials and consumables used	6.13	–13,955	–24,980
Employee benefits expense		–1,208	–1,294
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale		–2,735	–83
Depreciation and amortization expense		–27	–18
Other operating expenses	6.14	–5,866	–9,404
Operating profit		**4,447**	**11,179**
Finance income		2,839	3,162
Finance costs		–17,041	–22,956
Net finance costs	6.15	**–14,202**	**–19,794**
Profit/loss before tax		**–9,755**	**–8,615**
Income tax expense	6.16	360	–1,536
Profit/loss for the period		**–9,395**	**–10,151**
Other comprehensive income/loss		0	0
Total comprehensive income/loss for the period		**–9,395**	**–10,151**
Attributable to equity holders of the parent company		–9,432	–10,511
Attributable to non-controlling interests		37	360
Earnings per share (basic)	6.17	–0.08	–0.07
Earnings per share (diluted)	6.17	–0.08	–0.07

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS

FROM JANUARY 1 TO JUNE 30, 2024

in € thousand	Note	01/01–06/30/2024	01/01–06/30/2023
Cash flows from operating activities			
Total comprehensive income/loss for the period		–15,195	–13,884
Adjustments for:			
Amortization of intangible assets		0	17
Depreciation of property, plant and equipment		0	72
Changes in fair value of investment properties and valuation of properties held as inventory	6.2	2,735	167
Impairment on trade receivables		0	40
Other non-cash expenses/income		–18	–1,404
Impairment losses		5,598	0
Other net financial income/expense		17	0
Tax expenses	6.16	683	3,138
Net finance costs	6.15	28,605	34,388
Changes in:			
Inventories		–15,616	–86,147
Trade receivables and other receivables		–253	158
Other financial assets		192	–582
Other non-financial assets		1,006	9,143
Trade payables and other payables		7,000	–4,977
Other non-financial liabilities		184	4,000
Other provisions as well as assets and provisions for employee benefits		–33	0
Other financial liabilities		–156	755
Interest paid		–16,612	–14,087
Income taxes received		130	1,579
Income taxes paid		–429	–784
Cash flows from operating activities		**–2,162**	**–68,408**
Cash flows from investing activities			
Cash inflows from the sale of non-current assets held for sale (properties)		6,800	0
Payments for investments in investment properties		–16,407	–225
Purchase of intangible assets		–2	–17
Purchase of property, plant and equipment		–49	–34
Sale of consolidated companies less cash and cash equivalents transferred		0	–30
Cash flows from investing activities		**–9,658**	**–306**
Cash flows from financing activities			
Cash inflows from new (financial) loans		59,635	80,292
Payments for lease liabilities		–57	–81
Repayments of loans		–52,801	–14,055
Cash flows from financing activities		**6,777**	**66,156**
Net change in cash and cash equivalents		**–5,043**	**–2,558**
Cash and cash equivalents as of 01/01	6.5	8,121	8,951
Cash and cash equivalents as of the end of the period	6.5	**3,078**	**6,393**

IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM JANUARY 1 TO JUNE 30, 2024

		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 01/01/2023		**186,764**	**–389,131**	**573,257**	**370,890**	**8,159**	**379,049**
Profit/loss	6.7	0	0	–14,185	–14,185	301	–13,884
Change in the scope of consolidation/disposal of shares		0	0	–9	–9	–83	–92
Balance as of 06/30/2023		**186,764**	**–389,131**	**559,063**	**356,696**	**8,377**	**365,073**
Balance as of 01/01/2024		**186,764**	**–389,131**	**407,308**	**204,942**	**7,901**	**212,842**
Profit/loss	6.7	0	0	–13,905	–13,905	–1,291	–15,195
Balance as of 06/30/2024		**186,764**	**–389,131**	**393,404**	**191,037**	**6,610**	**197,647**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2024

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 €50 million (as of June 28, 2024). 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, 2024) amounts to more than €5 billion.

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

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

The interim consolidated financial statements as of June 30, 2024 were prepared by the Management Board on September 30, 2024 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, 2023. These consolidated financial statements represent the basis for the present interim financial statements.

The statement of comprehensive income is structured on the basis of the cost of sales method. In accordance with the accrual principle, expenses and income are attributed to the respective periods regardless of when they were paid or received.

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

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

Measurement continues to be based on the going concern assumption.

As of the reporting date, the Group has financial liabilities due in the short term in the amount of €778.3 million, mainly relating to the financing arrangements for the projects Borussia Köln, SoHo Mannheim, Dresden Blüherpark, Berlin Heinersdorf, and Augsburg, and a promissory note loan of Gateway Real Estate AG. Of these liabilities, an amount of €671.2 million was not fully covered by agreed refinancing or sales proceeds as of the reporting date. An amount of €63.5 million of the loans was extended as part of the Management Board's negotiations with the individual lenders. As regards extensions of financing arrangements with a volume of €528.4 million that have not yet been agreed, the lenders have sufficient collateral in the form of land charges and/or guarantees from related parties, which means that the financing arrangements are expected to be extended, in the view of the Company's legal representative, and the realization of the collateral provided will be accepted in exceptional cases. Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation of the legal representative, a material portion of the financing arrangements not extended up to the date of preparation is not extended subsequently and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk.

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, 2023 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 2023 consolidated financial statements.

2.2 FINANCIAL REPORTING RULES

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

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Standard	Content	Mandatory first-time application for fiscal years beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Current Liabilities with Covenants	01/01/2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	01/01/2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	01/01/2024

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 2024 or that have yet to be endorsed by the EU.

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Standard amendment	Content	Mandatory first-time application for fiscal years beginning on or after
Standards already endorsed by the EU, but not yet required to be applied		
None		
Standards not yet endorsed by the EU and not yet required to be applied		
Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	01/01/2025
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	01/01/2025
IFRS 19	Subsidiaries without Public Accountability: Disclosures	tbd
IFRS 18	Presentation and Disclosure in Financial Statements	01/01/2027

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

2.3 SIGNIFICANT CHANGES IN THE SCOPE OF CONSOLIDATION

There were no changes in the scope of consolidation in the first half of 2024.

3. ADDITIONAL DISCLOSURES CONCERNING FINANCIAL INSTRUMENTS

3.1 PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

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

To limit the receivables default risk, ownership of sold properties is generally transferred to the buyer only after payment of the purchase price. Interest rate risks result from variable-interest loans and generally in case of loan extensions.

3.2 CAPITAL MANAGEMENT

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

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

The equity ratio for the first half is presented in the table below:

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EQUITY RATIO

in € thousand	06/30/2024	12/31/2023
Equity	197,647	212,842
Total assets	1,374,676	1,384,797
Equity ratio (in %)	14.4	15.4

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.

—

FINANCIAL ASSETS

	Carrying amount in € thousand				Fair value in € thousand	Level of fair value hierarchy
06/30/2024	Mandatorily at FVtPL	Financial assets – FVtOCI	Financial assets – AmC	Financial liabilities – AmC		
Financial assets measured at fair value						
Equity investments	2,617	0	0	0	2,617	3
Total	**2,617**	**0**	**0**	**0**	**2,617**	
Financial assets not measured at fair value						
Trade receivables	0	0	1,242	0	1,242	
Other receivables	0	0	9,742	0	9,742	2
Contract assets	0	0	1,245	0	1,245	
Loans	0	0	127,454	0	127,454	2
Security deposits for leased office space	0	0	221	0	221	
Cash and cash equivalents	0	0	3,078	0	3,078	
Total	**0**	**0**	**142,982**	**0**	**142,982**	
Total financial assets	**2,617**	**0**	**142,982**	**0**	**145,599**	

—

FINANCIAL LIABILITIES

	Carrying amount in € thousand		Fair value in € thousand	Level of fair value hierarchy
06/30/2024	Mandatorily at FVtPL	Financial liabilities – AmC		
Financial liabilities measured at fair value				
Liabilities, non-controlling interests	0	0	0	
Total	**0**	**0**	**0**	
Financial liabilities not measured at fair value				
Liabilities to banks	0	396,387	401,122	2
Liabilities to related companies	0	133,077	133,077	2
Liabilities to third parties from corporate bonds	0	213,936	201,789	2
Liabilities to third parties from exchange-listed corporate bonds	0	71,337	64,908	1
Loan liabilities to third parties	0	208,672	211,265	2
Trade payables	0	110,785	110,785	2
Other financial liabilities	0	15,644	15,644	
Lease liabilities	0	115	n/a	
Contract liabilities	0	537	573	
Total	**0**	**1,150,490**	**1,139,163**	
Total financial liabilities	**0**	**1,150,490***	**1,139,163**	

* With the exception of lease liabilities that are separate from the classification in accordance with IFRS 9, the total of the category 'other financial liabilities – AmC' amounts to €1,150,411 thousand.

—

FINANCIAL ASSETS

				12/31/2023
	Carrying amount in € thousand		**Fair value** in € thousand	**Level of fair value hierarchy**
	Mandatorily at FVtPL	**Financial assets – AmC**		
Financial assets measured at fair value				
Equity investments	2,617	0	2,617	3
Total	**2,617**	**0**	**2,617**	
Financial assets not measured at fair value				
Trade receivables	0	989	989	
Other receivables	0	9,707	9,707	2
Contract assets	0	914	914	
Loans	0	124,886	124,886	2
Security deposits for leased office space	0	221	221	
Cash and cash equivalents	0	8,121	8,121	
Total	**0**	**144,836**	**144,836**	
Total financial assets	**2,617**	**144,836**	**147,454**	

—

FINANCIAL LIABILITIES

				12/31/2023
	Carrying amount in € thousand		**Fair value** in € thousand	**Level of fair value hierarchy**
	Mandatorily at FVtPL	**Financial liabilities – AmC**		
Financial liabilities measured at fair value				
Liabilities, non-controlling interests	236	0	236	3
Total	**236**	**0**	**236**	
Financial liabilities not measured at fair value				
Liabilities to banks	0	381,436	379,064	2
Liabilities to related companies	0	121,697	121,697	2
Liabilities to third parties from corporate bonds	0	202,495	201,350	1
Liabilities to third parties from exchange-listed corporate bonds	0	72,811	66,235	2
Loan liabilities to third parties	0	219,261	220,190	2
Trade payables	0	108,205	108,205	
Other financial liabilities	0	15,983	15,983	
Lease liabilities	0	170	n/a	
Contract liabilities	0	573	573	
Total	**0**	**1,122,630**	**1,113,297**	
Total financial liabilities	**236**	**1,122,630***	**1,113,532**	

* With the exception of lease liabilities that are separate from the classification in accordance with IFRS 9, the total of the category 'other financial liabilities – AmC' amounts to €1,122,630 thousand.

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

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

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

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

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

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

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

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

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

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

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

—

in € thousand	Equity investments FVtPL
Balance as of 01/01/2023	**2,582**
Gains (losses) recognized in finance costs	0
Additions	35
Disposals from consolidation group	0
Balance as of 12/31/2023	**2,617**
Gains (losses) recognized in finance costs	0
Additions	0
Disposals	0
Reclassification	0
Balance as of 06/30/2024	**2,617**

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

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

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

- With respect to the properties held by the Group, the Management Board must decide at every reporting date whether they should be held on a long-term basis to earn rentals or for capital appreciation or both or for sale. Depending on this decision, the properties are accounted for as land with unfinished and finished buildings intended for sale (inventories) or as non-current assets intended for sale, in accordance with the principles for investment properties, and measured at (amortized) cost or fair value, depending on the classification. We refer to Notes 6.2 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 order to determine the net realizable value of inventory properties, estimates are calculated in relation to the selling price realizable in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

- 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 2024. The tax rate projected for the full year is determined on the basis of the currently applicable corporate planning, taking into account various assumptions and estimates. Accordingly, there are uncertainties related to the interpretation of tax regulations. In addition, the utilization of deferred tax assets requires future tax results, unless deferred tax liabilities of at least the same amount are also attributable to a tax unit. Therefore, differences between the actual results and our assumptions as well as future changes in our estimates can occur, which may lead to changes of the taxable profit in future periods. We refer to Note 6.16.

- Various assumptions need to be made with respect to other provisions, including for example with respect to occurrence probabilities and the utilization amounts of provisions for litigation risks. All information available at the time of preparing the financial statements was considered for this purpose. As of the reporting date, other current provisions amounted to €3,859 thousand (previous year: €3,981 thousand) and refer to litigation costs in connection with ongoing legal disputes, among other things. The measurement of the provisions takes into account knowledge of the current state of the litigation as well as the assessment of the Management Board. We refer to Note 6.8.

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

- As a result of the general uncertainty observed in the area of real estate project development and due to the insolvency applications filed to date in the real estate sector, the Management Board believes that the credit risk for certain receivables from companies within the sector is not low. Moreover, the Management Board now has objective indicators for expected impairment (Stage 3 expected credit losses). Against this backdrop, loss allowances in the amount of €110,279 thousand were recorded for the receivables reported as current other financial assets with a total carrying amount of €122,735 thousand as of June 30, 2024 on the basis of the expected credit loss model. We refer to Notes 6.4 and 6.14.

- Government grants can be recognized once the conditions attaching to them are met and the grants have actually been received. Investment grants are recognized based on the fair value model by reducing the cost which in turn results in a reduced depreciation expense (IAS 20.12 ff.). We refer to Note 6.14.

5. SEGMENT REPORT

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

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

The individual segments are described in the following:

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

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

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

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

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

Revenue from third parties (external revenue) is generated exclusively in Germany; 11.5% of this revenue is attributable to the Standing Assets segment, 7.3% to the Commercial Properties Development segment and 81.2% to the Residential Properties Development segment. Revenue of the Residential Properties Development segment refers to interim rentals of development projects and the sale of one development project for a residential property in Hamburg. Revenue from third parties in the Standing Assets segment mainly refers to rental revenue from investment properties held as financial investments and held for sale.

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

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

—

					06/30/2024
in € thousand	**Standing Assets**	**Commercial Properties Development**	**Residential Properties Development**	**Consolidation**	**Group**
Revenue from third parties (external revenue)	4,973	3,188	35,183	0	43,344
Intersegment revenue (internal revenue)	1,364	0	1	–1,365	0
Revenue	**6,337**	**3,188**	**35,184**	**–1,365**	**43,344**
Segment result (operating profit)	–6,751	6,565	15,802	–1,122	14,494
Net finance costs	1,367	–9,094	–21,279	0	–29,006
Profit/loss before tax	–5,385	–2,528	–5,477	–1,122	–14,512

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

in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group 06/30/2024
Segment assets	581,140	335,796	746,636	–288,896	1,374,676
Segment liabilities	408,336	342,369	703,655	–277,331	1,177,029

in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group 12/31/2023
Segment assets	592,415	309,741	720,910	–238,269	1,384,797
Segment liabilities	413,714	313,615	672,113	–227,488	1,171,954

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

6.1 INTANGIBLE ASSETS

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

Therefore, the carrying amounts of the group of cgus “Residential Properties Development” (€9,789 thousand) were fully impaired in the previous year. In the first half of 2024, there were no material additions in the area of intangible assets.

6.2 INVESTMENT PROPERTIES

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

in € thousand	
Balance as of 12/31/2023	**238,527**
Subsequent production costs	11,766
Changes in market value	–2,508
Reclassification	–6,800
Balance as of 06/30/2024	**240,985**

The standing asset in Duisburg with a carrying amount of €6.8 million was made ready for sale by signing a purchase agreement in the first quarter of 2024 and reclassified to “Assets held for sale.” As in the previous year, the property is measured on the basis of Level 2 input factors.

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	06/30/2024	06/30/2023
Rental revenues	3,868	2,966
Revenues from operating costs	388	814
Revenues from cost charges to others and building cost subsidies	111	1
Administration costs (operating costs, maintenance, administration, etc.)	–1,644	–2,211
Total	**2,723**	**1,570**
Thereof fair value Level 3	2,723	1,570

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

The fair values of the remaining properties are based on an appraisal as of December 31, 2023. 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 €20,600 thousand was capitalized as part of the construction costs in the first half of 2024.

The total carrying amount of all inventory properties as of June 30, 2024 was €935,522 thousand. As of the reporting date, inventory properties mainly comprise Projektentwicklung Borussia Köln Deutz Quartiere (€419,720 thousand), Revaler Straße 32 PE GmbH (€126,702 thousand) as well as Storkower Straße 142–146 PE GmbH (€124,247 thousand).

Further progress has been made with respect to the building construction activities for the project developments Storkower Straße 140 GmbH, Revaler Straße 32 GmbH and SoHo Mannheim. The project development of Storkower Str. 142–146 GmbH was completed in the fourth quarter of 2023.

Projektentwicklung Soho Mannheim sold two building plots (Baufeld 1 and Baufeld 10) by way of purchase agreements dated May 22, 2024 at a total purchase price of €134.3 million. The purchase agreement for Baufeld 1 comes into force subject to the approval of one contracting party. Possession, benefits and obligations as regards Baufeld 10 are expected to be transferred in the second half of 2025 after the requirements for payment becoming due are met and after the final acceptance of the buyer upon payment of the final purchase price installment. Purchase price payments in the amount of €37.1 million have been paid so far since the reporting date.

The city of Hamburg exercised its pre-emptive right in relation to the Hamburg Seevestraße project development at the end of 2022. By way of a land purchase agreement dated February 19, 2024, the city of Hamburg acquired the Hamburg Seevestraße project development. Possession, benefits and obligations were transferred on March 28, 2024.

The development of inventories is presented in the table below:

—

in € thousand	06/30/2024	12/31/2023
Projektentwicklung Borussia Köln Deutz	419,720	406,231
Revaler Straße 32 PE GmbH	126,702	107,527
Storkower Straße 142–146 PE GmbH	124,247	125,962
Projektentwicklung Borussia Dresden Blüherpark	110,357	105,625
Storkower Straße 140 PE GmbH	66,009	56,472
Projektentwicklung Soho Mannheim	43,378	38,665
Beteiligungsgesellschaft Berlin Heinersdorf GmbH	36,952	36,600
Projektentwicklung Chemnitz	6,678	6,495
Projektentwicklung Burg	883	830
Projektentwicklung Soest	395	321
Projektentwicklung Herdorf	124	107
Projektentwicklung Magdeburg	77	71
Projektentwicklung Hamburg Seevestraße	0	35,000
Total	**935,522**	**919,906**

6.4 OTHER ASSETS

Other assets mainly comprised the following items:

—

in € thousand	06/30/2024	12/31/2023
Other financial assets		
Loans – at amortized cost	101,555	124,886
thereof to related parties	33,617	46,527
Other receivables – at amortized cost	9,742	9,539
thereof to related parties	8,401	8,258
Equity investments – measured at FVtPL	2,617	2,617
Contract assets	1,245	914
Security deposits	220	220
Total	**115,379**	**138,176**
thereof non-current	66,041	64,057
thereof current	49,338	74,119
Other non-financial assets		
Other assets	63,337	63,388
Prepaid expenses	284	293
Tenant incentives	2,056	1,431
Value added tax credits	2,227	3,797
Total	**67,904**	**68,909**
thereof non-current	2,056	1,431
thereof current	65,848	67,478

The decrease in other financial assets by €22,797 thousand compared to the previous year is mainly attributable to the offsetting against other financial liabilities in the amount of €23,508 thousand made in the first half of 2024. Otherwise, other financial assets would have increased by €711 thousand, mainly due to current interest income.

As a result of expected credit losses due to credit risks that are not low, an impairment was recognized as a loss allowance for additional receivables from IMFARR Beteiligungs GmbH, Austria, and from YN Beteiligungen AG, Switzerland, in a total amount of €5,598 thousand. Please also refer to Chapter 4 and Note 6.19.

Non-financial assets declined slightly by €1,005 thousand to €67,904 thousand, primarily as a result of declining value added tax credits.

6.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly consisted of overnight bank deposits and amounted to €3,078 thousand as of June 30, 2024 (December 31, 2023: €8,121 thousand).

6.6 ASSETS HELD FOR SALE

The assets held for sale changed as follows:

—

in € thousand	
Balance as of 12/31/2023	0
Reclassification	6,800
Disposal	–6,800
Balance as of 06/30/2024	**0**

The standing asset in Duisburg with a carrying amount of €6.8 million was made ready for sale by signing a purchase agreement in the first quarter of 2024 and reclassified from investment properties to the item "Assets held for sale." As in the previous year, the property is measured on the basis of Level 2 input factors.

As a result of the successful disposal pf the property in the first half of 2024, the disposal was recognized in the amount of the purchase price.

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

—

in € thousand	06/30/2024	06/30/2023
Rental revenues	0	0
Revenues from operating costs	0	230
Administration costs (operating costs, maintenance, administration, etc.)	0	–251
Total	**0**	**–21**

The result reported in the prior-year period is negative due to operating cost settlements incurred.

6.7 EQUITY

As of June 30, 2024, the share capital is unchanged at €186,764,040 and is divided into 186,764,040 no-par-value bearer shares with a notional value in the share capital of €1 per share.

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

6.8 OTHER PROVISIONS

Other provisions are composed of the following:

—

in € thousand	06/30/2024	12/31/2023
Current provisions		
Other provisions (remaining term < 1 year)	3,859	3,881
Total	**3,859**	**3,881**

Other current provisions in the amount of €3,859 thousand are entirely attributable to additions for litigation costs in connection with ongoing legal disputes (€359 thousand) as well as the utilization of a guarantee from a bonding insurance (€3,500 thousand). On the basis of contractual arrangements with the related company SNBH, a reimbursement claim of €3,500 thousand was recognized in other financial assets.

6.9 FINANCIAL LIABILITIES

Financial liabilities break down as follows:

—

in € thousand	06/30/2024	12/31/2023
Non-current financial liabilities		
Liabilities to third parties from bonds	99,990	98,148
Liabilities to related parties	62,826	0
Liabilities to banks	12,249	20,965
Liabilities to third parties	31	21
Total	**175,096**	**119,135**
Current financial liabilities		
Liabilities to banks	384,138	360,471
Liabilities to third parties	208,640	219,240
Liabilities to third parties from bonds	185,283	177,157
Liabilities to related parties	255	53,279
Total	**778,316**	**810,147**

The terms of the non-current financial liabilities in the amount of €175,096 thousand are longer than one year. They are collateralized in the amount of €42,550 thousand for the benefit of the lender by way of land charges on the properties underlying the financing.

The current financial liabilities have a remaining term of up to 12 months. They primarily include the current portion of the liabilities in connection with the acquisition of properties or the financing of the development projects. Current financial liabilities in the amount of €778,316 thousand are collateralized for the benefit of the lenders by way of land charges on the properties underlying the financing in the amount of €740,207 thousand.

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

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

Going concern risk:

As of the reporting date, the Group has financial liabilities due in the short term in the amount of €778.3 million, mainly relating to the financing arrangements for the projects Borussia Köln, SoHo Mannheim, Dresden Blüherpark, Berlin Heinersdorf, and Augsburg, and a promissory note loan of Gateway Real Estate AG taken out for general financing purposes. Of these liabilities, an amount of €671.2 million was not fully covered by agreed refinancing or planned sales proceeds as of the reporting date. An amount of €63.5 million of the loans was extended as part of the Management Board's negotiations with the individual lenders. As regards extensions of financing arrangements with a volume of €528.4 million that have not yet been agreed, the lenders have sufficient collateral in the form of land charges and/or guarantees from related parties, which means that the financing arrangements are expected to be extended, in the view of the Company's legal representative, and the realization of the collateral provided will be accepted in exceptional cases. Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation of the legal representative, a material portion of the financing arrangements not extended up to the date of preparation is not extended and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk.

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

BORUSSIA KÖLN PROJECT DEVELOPMENT:
Both junior and senior financing agreements for the Cologne project development with a carrying amount of €266,866 thousand were extended initially until June 28, 2024 by way of an agreement dated May 17, 2024 and May 28, 2024. The Company is currently in negotiations and talks regarding a longer-term solution, which should be achieved already in 2024 if possible.

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

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

SOHO MANNHEIM PROJECT DEVELOPMENT:
Collateral in the form of a guarantee in the amount of €15,000 thousand had already been provided by the Group's ultimate parent company in the past for the extended bond with a carrying amount of €50,256 thousand. Moreover, the bond is collateralized for the benefit of the lenders by way of land charges on the properties underlying the financing with a total carrying amount of €75,497 thousand as of June 30, 2024. Based on an agreement dated September 13, 2024, a new payment plan was agreed, pursuant to which €1,000 thousand was paid in September 2024 and it was agreed to make the remaining repayments in three tranches. A further €2,000 thousand in each case is linked to previously defined sales. The remaining value was extended until July 2025.

DRESDEN BLÜHERPARK PROJECT DEVELOPMENT:
The acquisition financing for the project development and also for the existing commercial property in Dresden Blüherpark has a nominal loan amount of €87,000 thousand, plus interest of €9,380 thousand payable upon final maturity and a term until October 31, 2024. Real estate assets secured by land charges with a carrying amount of €189,165 thousand and pledges of shares are used as collateral. In light of ongoing discussions with various investors, the Management Board assumes that the loan amounts will be repaid in an orderly manner.

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

STANDING ASSET IN AUGSBURG:
The investment property in Augsburg is financed by the Group's ultimate parent company until May 31, 2024 through a loan with a nominal amount of currently €41,896 thousand. Real estate assets secured by land charges with a carrying amount of €99,100 thousand are used as collateral. In addition, Norbert Ketterer provided a guarantee as principal debtor (selbstschuldnerische Bürgschaft) for the total loan amount of €42,400 thousand as collateral for the loan. On May 16, 2024, a special repayment of €2,276 thousand was made, reducing the loan amount to a total of €39,620 thousand. Negotiations are currently held with a new financing partner to take over the existing financing and to lend funds for further project development costs. In the agreement dated June 17, 2024, the current lender agreed to extend the existing financing subject to further payments in the course of the 2024 fiscal year. To that extent, a closing fee of €594 thousand was paid on August 26, 2024 and interest in the amount of €427 thousand was paid on August 29, 2024, which resulted in the repayment date being postponed for the time being to December 31, 2024.

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

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

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

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

6.10 TRADE PAYABLES AND OTHER PAYABLES

Trade payables amount to €168,788 thousand in the year under review (previous year: €161,113 thousand). The trade payables mainly refer to the residential project developments of Borussia Köln Deutz Quartiere (€68,501 thousand) and SoHo Mannheim (€27,853 thousand). The item also includes the outstanding purchase price of €52,903 thousand for the shares in the Group company Borussia Development GmbH due from the related company Helvetia Capital AG, Zug, Switzerland. As of June 30, 2024, the purchase price liability was extended until December 31, 2025 and is therefore reported as a non-current item.

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

—

OTHER FINANCIAL LIABILITIES

in € thousand	06/30/2024	12/31/2023
Lease liabilities	115	170
Contract liabilities	888	758
Liabilities, non-controlling interests	0	236
Security deposits received	210	210
Other	7,703	31,097
thereof to related parties	2,631	15,509
	8,916	**32,471**
thereof non-current	175	433
thereof current	8,741	32,038

As a result of an offsetting against other financial assets of €22,797 thousand in the first half of 2024, the remaining other financial liabilities were reduced accordingly.

As of June 30, 2024, the item "Other" includes the retention of a purchase price in connection with a project site acquired in 2020 in the amount of €1,500 thousand.

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

—

OTHER NON-FINANCIAL LIABILITIES

in € thousand	06/30/2024	12/31/2023
Liabilities for personnel	1,018	875
VAT liabilities	134	85
Deferred income	35	37
Other	711	717
	1,898	**1,714**
thereof non-current	0	0
thereof current	1,898	1,714

The increase of liabilities for personnel mainly results from additions to provisions for vacation entitlements.

6.11 REVENUE

The Group generated revenue of €43,344 thousand in the period from January 1 to June 30, 2024. GATEWAY mainly generates revenues from the rental of investment properties and inventory properties, the sale of inventory properties, and the provision of services.

By way of a land purchase agreement dated February 19, 2024, the city of Hamburg acquired the Hamburg Seevestraße project development for €35,000 thousand.

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

—

in € thousand	Q1–Q2 2024	Q1–Q2 2023
Rental revenues in accordance with IFRS 16		
Rental revenues from investment properties	4,135	3,388
Rental revenues from IFRS 5 properties	260	0
Rental revenues from sub-letting	3	3
Rental revenues on inventory properties	2,950	1,185
	7,348	**4,576**
Rental revenues in accordance with IFRS 15		
Revenues from the sale of inventory properties	35,000	0
Revenues from operating costs	885	1,069
Revenues from operating costs – IFRS 5 properties	0	230
Revenues from cost charges to others and building cost subsidies	127	6
Revenues from services	1	–1,027
Other	–17	17
	35,996	**295**
thereof over time	869	289
thereof at a point in time	35,127	6
Total	**43,344**	**4,871**

—

in € thousand	06/30/2024	06/30/2023
Receivables included in trade and other receivables	0	0
Receivables included in held-for-sale assets	0	0
Contract assets	0	0
Contract liabilities	573	539

Of the overall revenue, €35,996 thousand fall under the scope of IFRS 15 and €7,348 thousand fall under the scope of IFRS 16. With respect to revenue under the scope of IFRS 15, with the exception of revenues from services (management services agreements), forward sales and operating costs, revenue is recognized at a certain point in time.

6.12 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

The changes in inventories of finished goods and work in progress relate to the capitalized production costs for the inventory properties, which include €20,600 thousand (June 30, 2023: €25,956 thousand) in capitalized interest on borrowed capital. The major changes in inventories arise from the projects Revaler Straße 32 PE GmbH (€15,880 thousand), Borussia Köln (€13,490 thousand) and Storkower Straße 140 PE GmbH (€9,664 thousand). By way of a land purchase agreement dated February 19, 2024, the city of Hamburg acquired the Hamburg Seevestraße project development. Possession, benefits and obligations were transferred on March 28, 2024, resulting in a decline in inventories by €34,945 thousand.

—

in € thousand	Q1–Q2 2024	Q1–Q2 2023
Increase in inventory due to purchase of properties, construction activity and capitalization of interest on borrowed capital	12,890	75,152
Total	**12,890**	**75,152**

6.13 RAW MATERIALS AND CONSUMABLES USED

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

—

in € thousand	Q1–Q2 2024	Q1–Q2 2023
Land	0	7,719
Construction costs	20,780	27,968
Project development costs	1,693	9,322
Other ancillary construction costs	3,561	3,161
Administration costs	2,571	3,397
Total	**28,605**	**51,567**

Construction costs, which decreased in 2024, primarily resulted from the companies Revaler Straße 32 PE (€11,144 thousand), Storkower Straße 140 PE GmbH (€7,321 thousand) as well as So SoHo Sullivan GmbH & Co. KG (€1,678 thousand). The costs of land in 2023 mainly result from the acquisition of the Mannheim plot of S8 Chelsea Quartier GmbH & Co. KG (€7,288 thousand).

6.14 OTHER OPERATING INCOME AND EXPENSES

Other operating income includes the following amounts:

—

in € thousand	Q1–Q2 2024	Q1–Q2 2023
Income from insurance benefits	125	150
Income from the reduction of liabilities	26	136
Other prior-period income	25	4
Capitalization of interest	0	4,258
Recourse claim for utilization of guarantee	0	3,500
Other	760	500
Total	**936**	**8,548**

In the prior period, 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.

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

Other operating expenses include the following amounts:

—

in € thousand	Q1–Q2 2024	Q1–Q2 2023
Specific valuation allowances and bad debt losses	5,547	3,529
Legal and consulting expenses	1,227	1,049
Other tax expenses	322	15
Non-deductible input tax	296	263
Selling expenses	194	102
Expenses for insurance, premiums and dues	179	199
Accounting, financial statements and auditing expenses	170	292
IT expenses	130	108
Lease expenses	124	247
Travel expenses	95	119
Remuneration of the Supervisory Board	58	65
Non-lease component in accordance with IFRS 16 (lessee)	55	51
Payment transaction costs and other financing expenses	32	43
Continuing education expenses	3	13
Administrative expenses	2	5
Utilization of guarantee	0	3,500
Other	708	1,069
Total	**9,142**	**2,940**

As a result of the expected price losses (expected credit losses) due to credit risks that are not low, loans reported as receivables at amortized cost were impaired by a total of €5,547 thousand. Please also refer to Chapter 4 and Note 6.19.

6.15 NET FINANCE COSTS

Net finance costs can be broken down as follows:

—

in € thousand	Q1–Q2 2024	Q1–Q2 2023
Finance income	6,065	5,846
Interest expenses for leases	–2	–4
Third party profit or loss shares	–17	0
Finance costs	–35,053	–40,230
Total	**–29,006**	**–34,388**

The finance costs predominantly result from borrowings to finance the development projects as well as standing assets. An amount of €20,600 thousand of these interest expenses was capitalized (see Note 6.12).

6.16 INCOME TAX EXPENSE

The income tax expense for the first half of 2024 amounted to €683 thousand (H1 2023: €3,138 thousand). The effective tax rate is negative (–4.7%), mainly due to effects from deferred tax liabilities as a result of the capitalization of items.

6.17 EARNINGS PER SHARE

Basic and diluted earnings per share are as follows:

—

in €	Q1–Q2 2024	Q1–Q2 2023
Earnings per share	**–0.08**	**–0.07**

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 fiscal 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 2024	Q1–Q2 2023
Profit attributable to owners of the parent company	–13,905	–14,185
Profit attributable to holders of common shares	–13,905	–14,185

—

in thousands of shares	Q1–Q2 2024	Q1–Q2 2023
	186,764	186,764

6.18 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As of June 30, 2024, there were no new matters as regards existing commitments and contingencies. We refer to the explanations on contingent liabilities and other financial obligations existing as of December 31, 2023 on pages 115 et seq. of the 2023 Annual Report.

6.19 MATERIAL TRANSACTIONS WITH RELATED PARTIES

A. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

Since May 7, 2020, Norbert Ketterer personally is the controlling majority shareholder and the controlling company within the meaning of Section 312 AktG.

According to the most recent voting rights notification dated June 6, 2023, Norbert Ketterer holds 66.24% in Gateway Real Estate AG's share capital. Therefore, Norbert Ketterer is the main shareholder within the meaning of Section 327a (1) sentence 1 AktG.

B. RELATED PARTY TRANSACTIONS

The Group has significant relations to other related parties. Above all, financing via other related companies is a key source of financing.

In this context, an important business partner is SN Beteiligungen Holding AG, Switzerland, which has to be classified as a related company as it is also controlled by Norbert Ketterer.

In addition, there is a comprehensive relationship with the Swiss company YN Beteiligungen Holding AG, which mainly results from the sales transactions of the Development Partner portfolio or the joint acquisition of Group companies. YN Beteiligungen Holding AG, Switzerland, is a company controlled by Yannick Patrick Heller. In accordance with IAS 24, Mr. Heller can be considered a related party to the majority shareholder or Chairman of the Supervisory Board, respectively.

In connection with the construction activities, the Group commissions subsidiaries of Nokera AG, Rueschlikon, to provide planning and civil engineering activities. The companies are classified as related companies as they are also controlled by Norbert Ketterer.

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

C. TRANSACTIONS BETWEEN THE COMPANY AND YN BETEILIGUNGEN HOLDING AG

Based on share purchase agreements dated July 25, 2019, a stake of 5.1% each in Gateway Vierte GmbH and Gateway Fünfte GmbH, respectively, was sold to the related company YN Beteiligung Holding AG, Switzerland. The purchase prices of €0.8 million and €1.8 million were initially deferred. The current interest rate is 12.62%.

Under a repurchase agreement dated February 22, 2023, Gateway Real Estate AG repurchased the 5.1% shares in Gateway Fünfte GmbH from YN Beteiligungen Holding AG by offsetting the purchase price receivables, which resulted in a reduction of the purchase price receivable from 2019 by €0.6 million. The current interest rate is 12.12%.

By way of a share purchase agreement dated December 18, 2020, Gateway Real Estate AG acquired a further 39.9% of the shares in Duisburg EKZ 20 Objekt GmbH, in addition to the 50% of the shares already held, and acquired a receivable of €0.5 million from the new minority shareholder YN Beteiligungen AG, Switzerland, as part of the purchase price settlement for 10.1% of the shares. This receivable remains non-interest bearing.

In connection with the final settlement of standing asset portfolios sold in 2019, receivables subsequently arose in the reporting year in relation to the minority interest of 5.1% of YN Beteiligungen AG, Switzerland, in the amount of €67,711.

Accordingly, the Group has the following partially interest-bearing receivables from YN Beteiligungen Holding AG. As in the previous year, no collateral was provided for these loans. The loan receivables are composed of as follows as of June 30, 2024, taking into account an impairment of 85%:

—

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of June 30, 2024 in € thousand	End of contract term
Gateway Real Estate AG, Frankfurt am Main						
01/01/2021	YN Beteiligungen Holding AG	465	0.00	70	70	12/31/2023
07/25/2019	YN Beteiligungen Holding AG	1,783	12.62	279	293	12/31/2023
07/25/2019	YN Beteiligungen Holding AG	779	12.62	165	173	12/31/2023
12/31/2023	YN Beteiligungen Holding AG	68	0.00	10	10	12/31/2023
Total		**3,095**		**524**	**546**	

Disposal of the Commercial Properties Development business area

Gateway Real Estate sold 50% of its shares in Development Partner AG (in the meantime renamed Development Partner GmbH, Duesseldorf) to YN Beteiligungen Holding AG, Switzerland, by way of a share purchase and transfer agreement dated February 3, 2021. A portion of the purchase price due in the amount of €28,047 thousand was deferred until March 31, 2022 and bore interest at a rate of 4.25%. These have been deferred since April 1, 2022. The default rate amounts to 8.5% as specified in the purchase agreement.

Apart from the above-mentioned receivables from the share purchase, receivables also exist in relation to the remaining loans in the amount of €73.0 million to Development Partner GmbH, Duesseldorf, and to its subsidiaries set out below.

Following the filing for insolvency of Development Partner GmbH, Duesseldorf, in November 2023, the two purchasers – YN Beteiligungen Holding AG, Switzerland, and IMFARR Beteiligungs GmbH, Austria – each accede to half of the existing loan agreements on the basis of contractual arrangements included in the share purchase and transfer agreement dated February 3, 2021, as part of a pro rata assumption of liabilities.

As a result, only the proportionate amount of loan receivables from YN is shown under related companies. The portion of receivables attributable to IMFARR was reclassified and is now reported as loan receivables from third parties.

In addition, there was a liability to DP AG resulting from the original reimbursement claim towards the tax authorities in relation to capital gains taxes in the amount of €3.4 million.

Moreover, advance payments of €2 million was already made by YN Beteiligungen Holding AG as of the closing date for the originally planned sale of the shares in the three commercial properties development companies in Berlin. Due to the reversal of the sale as a result of the lack of shareholder approval, these advance payments were reported as other financial liabilities. Furthermore, 50% of the associated contractual penalty of €16.0 million, which was recorded as a liability, is also attributable to YN Beteiligungen Holding AG, Switzerland, and was previously reported under other financial liabilities.

There is an offsetting situation for the liabilities mentioned above, so that they were each offset by 50% against the purchase price receivables from the sale of Development Partner AG with the declaration of assignment dated April 10, 2024 and the offsetting declaration dated April 15, 2024.

Credit risks are elevated in this context due to the repayment of the loans due on December 31, 2023 and following the currently tight situation on the market for properties and project developments. In line with the objective indicators for expected impairment (Stage 3 expected credit losses), the receivables from YN Beteiligungen AG, reported under loans carried at amortized cost, were also impaired as a matter of precaution by an amount of €53,709 thousand.

The purchase price receivable, a portion of which was assigned, and the loan receivables resulting from YN's accession are composed of as follows as of June 30, 2024, taking into account impairment of 85%:

—

Date of contract	Borrower/related company	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of June 30, 2024 in € thousand	End of contract term
03/16/2021	YN Beteiligungen Holding AG	16,284	8.50	5,058	3,455	12/31/2023
01/13/2020	Development Partner GmbH, Duesseldorf	4,024	4.25	705	718	12/31/2023
05/13/2019	Development Partner GmbH, Duesseldorf	480	2.00	79	80	12/31/2023
12/15/2021	Development Partner GmbH, Duesseldorf	5,400	4.25	880	897	12/31/2023
09/13/2021	Development Partner GmbH, Duesseldorf	3,900	4.25	642	655	12/31/2023
01/01/2020	Development Partner GmbH, Duesseldorf	6,577	4.25	1,154	1,157	12/31/2023
01/01/2021	Development Partner GmbH, Duesseldorf	2,804	4.25	475	484	12/31/2023
01/14/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	4,250	4.25	745	758	12/31/2023
09/18/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	268	4.25	46	46	12/31/2023
01/28/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	25	4.25	4	4	12/31/2023
09/27/2019	Projektentwicklung Campus Park München, Duesseldorf	588	4.25	117	119	12/31/2023
10/09/2019	Projektentwicklung Campus Park München, Duesseldorf	1,190	4.25	204	208	12/31/2023
05/17/2019	Projektentwicklung Technologiecampus Großraum Stuttgart GmbH, Duesseldorf	1,990	2.00	329	332	12/31/2023
Total		**47,780**		**10,438**	**8,913**	

D. TRANSACTIONS BETWEEN THE COMPANY AND SN BETEILIGUNGEN HOLDING AG

Acquisition of Borussia Development GmbH

Based on a share purchase agreement dated February 17, 2021, all of the shares in Borussia Development GmbH (previously Gerch Invest GmbH) were acquired from the related company SN Beteiligungen Holding AG, Switzerland, for a purchase price of €70.0 million.

SN Beteiligung Holding AG, Switzerland, assigned its residual purchase price receivable plus interest to Helvetic Capital AG by way of an agreement dated June 30, 2024. As of June 30, 2024, the carrying amounts were €46.8 million plus interest of €7.1 million (see section E).

Payment of the outstanding purchase price was extended until December 31, 2025.

—

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of June 30, 2024 in € thousand	End of contract term
Helvetic Capital AG, Switzerland						
02/18/2021	Gateway Real Estate AG, Frankfurt am Main	56,000	4.25	52,908	53,903	12/31/2025
Total		**56,000**		**52,908**	**53,903**	

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

—

Borrower	Project	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of June 30, 2024 in € thousand	End of contract term
Borussia Development GmbH, Duesseldorf	Cologne Deutz	16,048	10.00	21,692	22,493	12/31/2025
Total		**16,048**		**21,692**	**22,493**	

These project financings are passed through to the respective project companies at an interest rate of 10.5%.

Acquisition of Leipzig 416

On July 8, 2021, the Company acquired a plot of land in Leipzig, primarily for residential development purposes. To this end, the Company concluded a purchase agreement on the same date with IMFARR Beteiligungs GmbH and SN Beteiligungen Holding AG, Switzerland, for the acquisition of their shares (IMFARR Beteiligungs GmbH 50% each, SN Beteiligungen Holding AG 39.9% each, together 89.9% each) in Virtus Sechsundzwanzig Beteiligungs GmbH and Baufeld 23 Entwicklungs GmbH. The purchase price amounts to around €54,000, including the concurrent acquisition of the proportionate loan liabilities in the amount of approximately €210 million. The acquisition of Baufeld 23 Entwicklungs GmbH was completed as of April 19, 2022. In contrast, the closing of the purchase of shares in Virtus Sechsundzwanzig Beteiligungs GmbH initially remained subject to conditions precedent and was scheduled for November 2022.

Gateway Real Estate AG withdrew from the agreement to acquire shares in Virtus Sechsundzwanzig Beteiligungs GmbH by letters dated November 3, 2022 and November 20, 2022. Based on an agreement dated June 21, 2023, the rescission was confirmed by SNBH and IMFARR, waiving any claims for damages.

The share purchase agreement of the project company Baufeld 23 Entwicklungs GmbH, which has been performed already, was also re-transferred in this context as of October 31, 2023, based on the share purchase and assignment agreement dated June 30, 2023.

In the context of the above-mentioned project acquisition, Gateway Real Estate AG, for its part, granted loans to the company to be acquired and its subsidiaries. The carrying amounts of the continuing borrowings as of June 30, 2024 are as follows:

Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of June 30, 2024 in € thousand	End of contract term
Leipzig 416 GmbH	11,807	4.25	12,818	13,071	12/31/2024
Leipzig 416 Management GmbH	8,729	4.25	9,506	9,694	12/31/2024
Virtus 26 Beteiligungs GmbH	925	4.25	1,023	1,043	12/31/2024
Total	**21,461**		**23,347**	**23,808**	

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

E. TRANSACTIONS BETWEEN THE COMPANY AND HELVETIC CAPITAL AG

Change of creditor in relation to SNBH liabilities

Further loan relationships with SN Beteiligungen Holding AG, Switzerland, existed in the previous year, primarily in the project finance area. No collateral was provided for these loans.

The following liabilities to SN Beteiligungen Holding AG, Switzerland, as of December 31, 2023 were transferred to the related company Helvetic Capital AG, Zug, Switzerland as of June 30, 2024 and were extended until December 31, 2025:

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of December 31, 2023 in € thousand	Outstanding amount as of June 30, 2024 in € thousand	End of contract term
Helvetic Capital AG, Switzerland						
02/18/2021	Gateway Real Estate AG, Frankfurt am Main	46,800	4.25	52,908	53,903	12/31/2025
12/28/2022	Gateway Real Estate AG, Frankfurt am Main	5,140	4.25	5,296	5,408	12/31/2025
02/10/2023	Gateway Real Estate AG, Frankfurt am Main	7,658	4.25	7,947	8,110	12/31/2025
02/27/2023	Gateway Real Estate AG, Frankfurt am Main	1,000	4.25	1,036	1,060	12/31/2025
03/02/2023	Gateway Real Estate AG, Frankfurt am Main	1,000	4.25	1,036	1,056	12/31/2025
03/07/2023	Gateway Real Estate AG, Frankfurt am Main	9,975	4.25	10,211	10,412	12/31/2025
03/17/2023	Gateway Real Estate AG, Frankfurt am Main	2,000	4.25	2,067	2,109	12/31/2025
04/05/2023	Gateway Real Estate AG, Frankfurt am Main	4,325	4.25	3,996	4,532	12/31/2025
05/13/2024	Gateway Real Estate AG, Frankfurt am Main	2,949	4.25	0	2,949	12/31/2025
05/13/2024	Gateway Real Estate AG, Frankfurt am Main	9,000	4.25	0	4,681	12/31/2025
Total		**89,847**		**84,497**	**94,220**	

F. OTHER RELATED COMPANIES

Nokera Planning GmbH

Nokera Planning GmbH (until December 31, 2020: Fuchshuber Architekten, Leipzig) provided planning services for project companies of GATEWAY in the year under review. The company has to be classified as a related company as it is controlled by the Chairman of the Supervisory Board. The scope of the planning assignments already awarded in 2021 comprises work stages (Leistungsphasen, LP) 1 to 4 as defined in the German Regulation on the Fee Structure for Architects and Engineers (Honorarordnung für Architekten und Ingenieure, HOAI). The agreed fee was €25 per square meter of eligible rented space.

As of June 30, 2024, there are liabilities in the amount of €157 thousand.

Nokera Construction GmbH

General contractor agreement regarding civil engineering activities for SoHo Mannheim project development

GATEWAY is developing a property project in Mannheim via its subsidiary S8 Chelsea Quartier GmbH & Co. KG (“S8”). For this purpose, S8 entered into a general contractor agreement with NOKERA Construction GmbH (“NOKERA”) for the turnkey construction of 14 residential buildings covering approx. 16,000 sqm of floor space (aboveground). The upper floor levels are being build based on a serial hybrid timber construction method. NOKERA receives a lump-sum price in the mid tens of millions of euros for services to be performed as contractually agreed. In the first half of 2024, an amount of €16.0 million was invoiced, of which an amount of €15.0 has been paid. Based on the stage of completion as of June 30, 2024, an amount of €13.6 million remains to be invoiced.

Sublease of office premises of Gateway Real Estate AG, Berlin
Gateway Real Estate AG leases office floor space to Nokera Construction GmbH at a monthly rent of €833.00, based on a term until December 31, 2024.

G. 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 first half of 2024, there were no other transactions or legal matters involving this group of persons that had to be reported. In this context, we refer to the disclosures in the 2023 Annual Report in Chapter 7.3 "Material transactions with related parties" on page 121.

6.20 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Going concern risk
As of the reporting date, the Group has financial liabilities due in the short term in the amount of €778.3 million, mainly relating to the financing arrangements for the projects Borussia Köln, SoHo Mannheim, Dresden Blüherpark, Berlin Heinersdorf, and Augsburg, and a promissory note loan of Gateway Real Estate AG taken out for general financing purposes. Of these liabilities, an amount of €671.2 million was not fully covered by agreed refinancing or planned sales proceeds as of the reporting date. An amount of €63.5 million of the loans was extended as part of the Management Board's negotiations with the individual lenders. As regards extensions of financing arrangements with a volume of €528.4 million that have not yet been agreed, the lenders have sufficient collateral in the form of land charges and/or guarantees from related parties, which means that the financing arrangements are expected to be extended, in the view of the Company's legal representative, and the realization of the collateral provided will be accepted in exceptional cases. Overall, the continuation of the Group's business operations depends on whether it is able to realize project sales to generate sufficient liquidity for the Group's financing activities and whether any unplanned outflow of cash funds as part of the extension of loans can be prevented. If, contrary to the expectation of the legal representative, a material portion of the financing arrangements not extended up to the date of preparation is not extended subsequently and the sale of overall material projects cannot be realized as planned, i.e. at the planned selling price and date, the continued existence of the subsidiaries involved in these projects and of the parent company as part of the Group's central liquidity management and hence all other companies included in the group of consolidated entities would be at risk.

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

Sale of two building plots of the SoHo Mannheim project development and entering into additional project financings
By way of purchase agreements dated May 22, 2024, two building plots (Baufeld 1 and Baufeld 10) of the SoHo Mannheim project development were disposed at a purchase price of €134.3 million in total. The purchase agreement for Baufeld 1 comes into force subject to the approval of one contracting party. The approval will take the form of a notarial amendment; the details of such amendment are being finalized by the parties and the notarization of which is expected shortly.

Possession, benefits and obligations as regards Baufeld 10 are expected to be transferred in the second half of 2025 after the requirements for payment becoming due are met and after the final acceptance of the buyer upon payment of the final purchase price installment. Purchase price payments in the amount of €37.1 million have been paid so far since the reporting date. Overall, the Management Board anticipates negative earnings in the single-digit million range for 2024 in connection with these transactions.

A further short-term loan totaling €15.0 million was taken out after the reporting date on August 9, 2024 to finance ongoing construction costs. Previously, a loan of €15.0 million dated May 29, 2024 had already been repaid once the purchase price payments were received. The remaining €15.0 million will become due not later than December 31, 2024. This amount will be repaid from the proceeds generated from further construction progress.

Project financing for Köln Deutz Quartiere and guarantee issued by Norbert Ketterer
Both junior and senior financing agreements for the Cologne project development with a carrying amount of €266,866 thousand were extended initially until June 28, 2024 by way of an agreement dated May 17, 2024 and May 28, 2024. The Company is currently in negotiations and talks regarding a longer-term solution, which should be achieved already in 2024 if possible.

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

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

Dresden Blüherpark project development:
The acquisition financing for the project development and also for the existing commercial property in Dresden Blüherpark has a nominal loan amount of €87,000 thousand, plus interest of €9,780 thousand payable upon final maturity and a term until October 31, 2024. Real estate assets secured by land charges with a carrying amount of €189,165 thousand and pledges of shares are used as collateral. In light of ongoing discussions with various investors, the Management Board assumes that the loan amounts will be repaid in an orderly manner.

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

Standing asset in Augsburg
The investment property in Augsburg is financed by the Group's ultimate parent company until May 31, 2024 through a loan with a nominal amount of currently €41,896 thousand. Real estate assets secured by land charges with a carrying amount of €99,100 thousand are used as collateral. In addition, Norbert Ketterer provided a guarantee as principal debtor (selbstschuldnerische Bürgschaft) for the total loan amount of €42,400 thousand as collateral for the loan. On May 16, 2024, a special repayment of €2,276 thousand was made, reducing the loan amount to a total of €39,620 thousand. Negotiations are currently held with a new financing partner to take over the existing financing and to lend funds for further project development costs. In the agreement dated June 17, 2024, the current lender agreed to extend the existing financing subject to further payments in the course of the 2024 fiscal year. To that extent, a closing fee of €594 thousand was paid on August 26, 2024 and interest in the amount of €427 thousand was paid on August 29, 2024, which resulted in the repayment date being postponed for the time being to December 31, 2024.

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

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

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

Extension of promissory note loan of Gateway Real Estate AG

By way of agreement dated July 31, 2024, the promissory note loan in the amount of €30.0 million was extended until August 2, 2025 (previously until August 2, 2024), following interest add-on in the amount of €2.4 million. The interest rate will amount to 6.0% between August 2, 2024 and February 2, 2025. The interest rate will increase to 10.0% up until the repayment date (August 2, 2025).

Extension of existing financing for SoHo Mannheim project development

Based on an agreement dated September 13, 2024, a new payment plan was agreed for the bond for the SoHo Mannheim project development with a carrying amount of €50,256 thousand, pursuant to which €1,000 thousand was paid in September 2024, and it was agreed to make the remaining repayments in three tranches. A further €2,000 thousand in each case is linked to previously defined sales. The remaining value was extended until July 2025. Furthermore, additional collateral was provided in the form of assigned loan claims from the Scale project in Berlin with a nominal value of €21.8 million plus interest totaling €26.7 million and in the form of land charges for the southern construction site of the SoHo Mannheim project development.

RESPONSIBILITY STATEMENT

To the best of my 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, 2024

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

October 30, 2024	Annual General Meeting
November 29, 2024	Publication of quarterly statement (publication date Q3)

IMPRINT

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