ANNUAL REPORT 2018

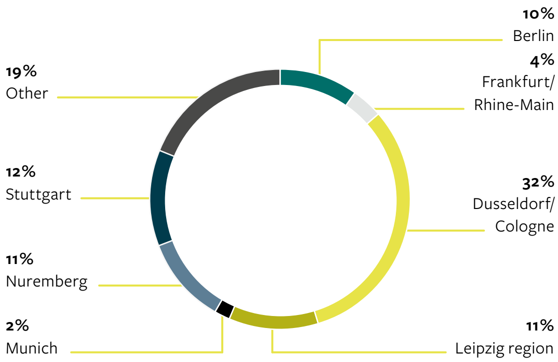
GATEWAY
REAL ESTATE

AT A GLANCE

Key financial indicators

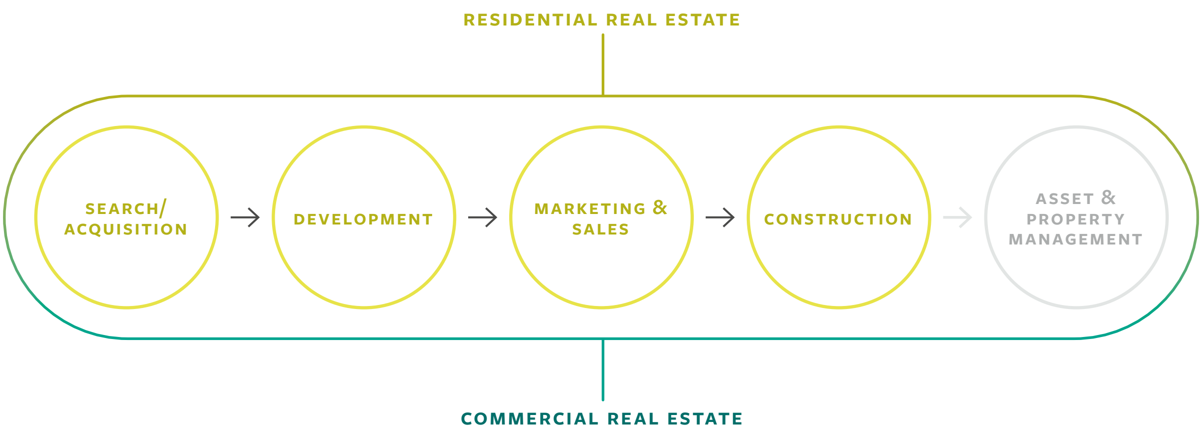
in € thousand	2018	2017	Change in %
Sales revenues	18,568	6,937	+167.67
Other operating income	24,010	9,738	+146.56
Change in investment real estate value	9,900	0	–
EBIT (adjusted)	73.3	15.9	+361.00
Consolidated result	33,248	6,936	+379.35
Earnings per share	0.22	0.04	+450.00
Balance sheet total	798,616	208,817	+282.45
Equity	148,425	17,152	+765.35

Commercial



Residential

DEVELOPING VALUE



ABOUT US

Gateway Real Estate AG is a leading developer of commercial and residential real estate in Germany. We operate in seven regions throughout Germany where there is a strong demand for high-end real estate.

Gateway Real Estate AG and its subsidiaries cover the entire value chain: from plot and project acquisition to development, construction and sales. We also have a very strong network at our disposal, and have established many strategic partnerships in order to generate attractive returns for our shareholders.

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Dear Shareholders, Ladies and Gentlemen,

Recent months have seen Gateway Real Estate AG undergo a comprehensive reorientation process, during which we have updated our business model and restructured the company. We are now one of the leading developers of residential and commercial real estate in Germany. Following the successful increase in capital, the reallocation of our major shareholder's shares and our listing in the Prime Standard segment of the Frankfurt Stock Exchange, we are able to call the first phase a success. We can now focus on operations and the realisation of our project pipeline.

GATEWAY is now a completely different company than it was at the beginning of last year. We are an attractive, publicly traded and market-leading real estate developer with a clear strategy for growth. Here are just a few facts and figures for the previous financial year: In 2018, we achieved an adjusted EBITDA of €73 million, which includes the gross profits from associates. Gross earnings before taxes amounted to approx. €42 million, an increase of

MANFRED HILLENBRAND
Expert for real estate, rents and leases with a master's degree in corporate real estate
Chief Executive Officer (CEO)

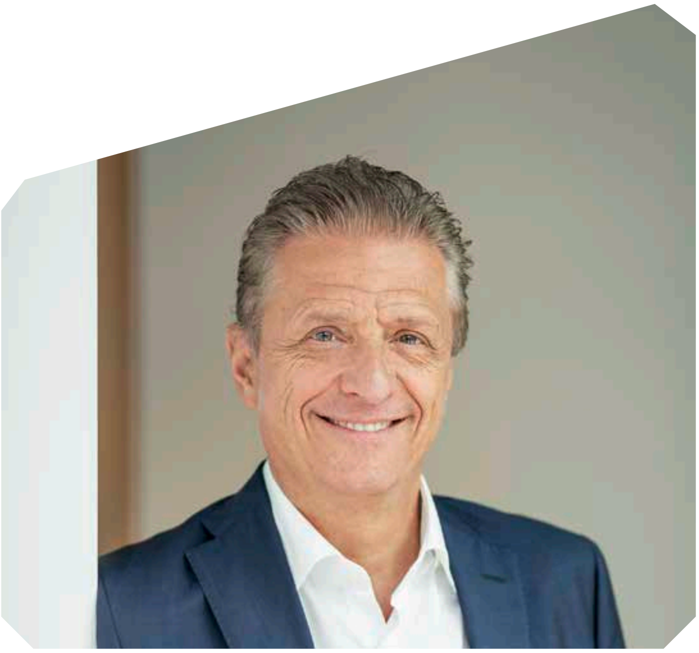
Member of the Management Board since 2016 and responsible for operations, acquisitions and portfolio optimisation | More than 25 years of experience in commercial real estate investment with a transaction volume of over €5 billion | Founder and shareholder of a number of international companies

TOBIAS MEIBOM
Business administration specialist and tax adviser
Chief Financial Officer (CFO)

Member of the Management Board since 2011 and responsible for the areas of finance, IR, capital market and taxes | More than 20 years of industry experience | Senior management roles at publicly traded real estate companies and private banks

around 68 per cent compared to the previous year; a result of the integration of Development Partner AG and sales of existing properties. The consolidated profit for the 2018 financial year increased from around €17 million to approx. €33 million, representing a roughly 100 per cent increase in comparison to the €16.7 million of the previous year.

The following figures are much more significant for our business model: Our current portfolio of development projects has a gross development volume of around €4.1 billion. We also have an acquisition pipeline amounting to approx. €1.4 billion. We acquire land on which we can develop commercial and residential real estate. We then sell this real estate to institutional investors, with the option of selling it at any stage of development. We are a strong player in this field, in that we not only cover the entire value chain, but also have excellent access to plots and potential real estate buyers. This is evidenced by the projects we have already realised. We only



“We are now one of the leading developers of commercial and residential real estate in Germany.”

— Manfred Hillenbrand, CEO

need to mention one of the iconic Kranhäuser buildings on the banks of the Rhine in Cologne, or our new “GATEWAY” construction project on Kennedydamm in Duesseldorf.

Our business model has also led to changes in our earnings structure. As a developer, we turn a profit by selling properties with high cash flows and attractive margins. Therefore we plan to pay a dividend to our shareholders in the future.

Our residential and commercial real estate development activities focus on seven cities and selected metropolitan regions in Germany. We expect to see a high demand for real estate in both markets in these cities and regions for the foreseeable future.

Our shareholders have also profited from the reorientation of our business model, as can be seen by the 20 per cent increase in the share price, to €3.96, between January 1, 2018 and April 30, 2019. With the previously mentioned capital market transactions in Q1 2019, the number of shares rose by 10 per cent. And because the major shareholder sold a portion of its shares to institutional investors, the stock benefits from a significantly larger free float, which is now around 25.8 per cent. We have also been listed in the Prime Standard, and will therefore meet the most stringent transparency requirements of the Frankfurt Stock Exchange. Being listed in the Prime Standard will also increase the visibility of the GATEWAY-share among national and international investors. We have expanded our shareholder base to include national, European and overseas investors, in particular the USA.

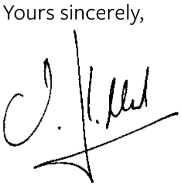
"Being listed in the Prime Standard will also increase the visibility of the GATEWAY-share among national and international investors."

— Tobias Meibom, CFO

The measures and changes we have introduced will contribute to higher profitability and stronger growth for Gateway Real Estate AG. We expect to see positive effects on sales revenue and the financial result already during the course of this year. Furthermore, we expect to be able to feed additional projects from our acquisition pipeline into the development pipeline.

Gateway Real Estate AG has undergone fundamental restructuring in recent months. We are now a leading developer of commercial and residential real estate, and profit from the steadily high demand for real estate. Moreover, we are taking specific measures to strengthen our position in the industry. We hope you will join us on this journey and thank you for your confidence. We would also like to thank all of our employees, who have supported these changes and brought them to life with their commitment and dedication, and our business partners, who are working with us for a successful transition.

Yours sincerely,



Manfred Hillenbrand Tobias Meibom

COMPANY PROFILE

4.1 billion GDV

GDV is the gross development value, i.e. the value at which a development property is expected to be sold or rented under normal conditions in the open market.

OUR MARKET

Gateway Real Estate AG develops properties for the commercial and residential real estate sector, with a focus on the TOP 7 cities in Germany. The reasons for this are clear: Between 2007 and 2016, the population in Germany's major metropolitan regions grew by an average of 9.5 per cent. Analysts expect growth to continue at similar rates until at least 2030. As well as population growth, there is increasing urbanisation. In 2000, 73 per cent of the German population lived in urban areas. This number is expected to rise to 79 per cent by 2030.

COMMERCIAL REAL ESTATE

The market for commercial real estate in Germany has increased steadily over the past years and is characterised by a high degree of stability. Factors for a higher demand for office space include the strength of the service sector, increased employment figures and a larger workforce. For instance, the number of office workers is increasing by 1 per cent year on year, with the TOP 7 cities expecting to see the number of office workers to rise by between 4.5 and 5.9 per cent over the coming years. The trend towards urbanisation plays a significant role in this regard as well. As demand for office space has grown, the average rent for office space in 27 medium-sized regional economic hubs in Germany has also risen, or remained steady at a very high level. The supply of new property is not meeting the demand.

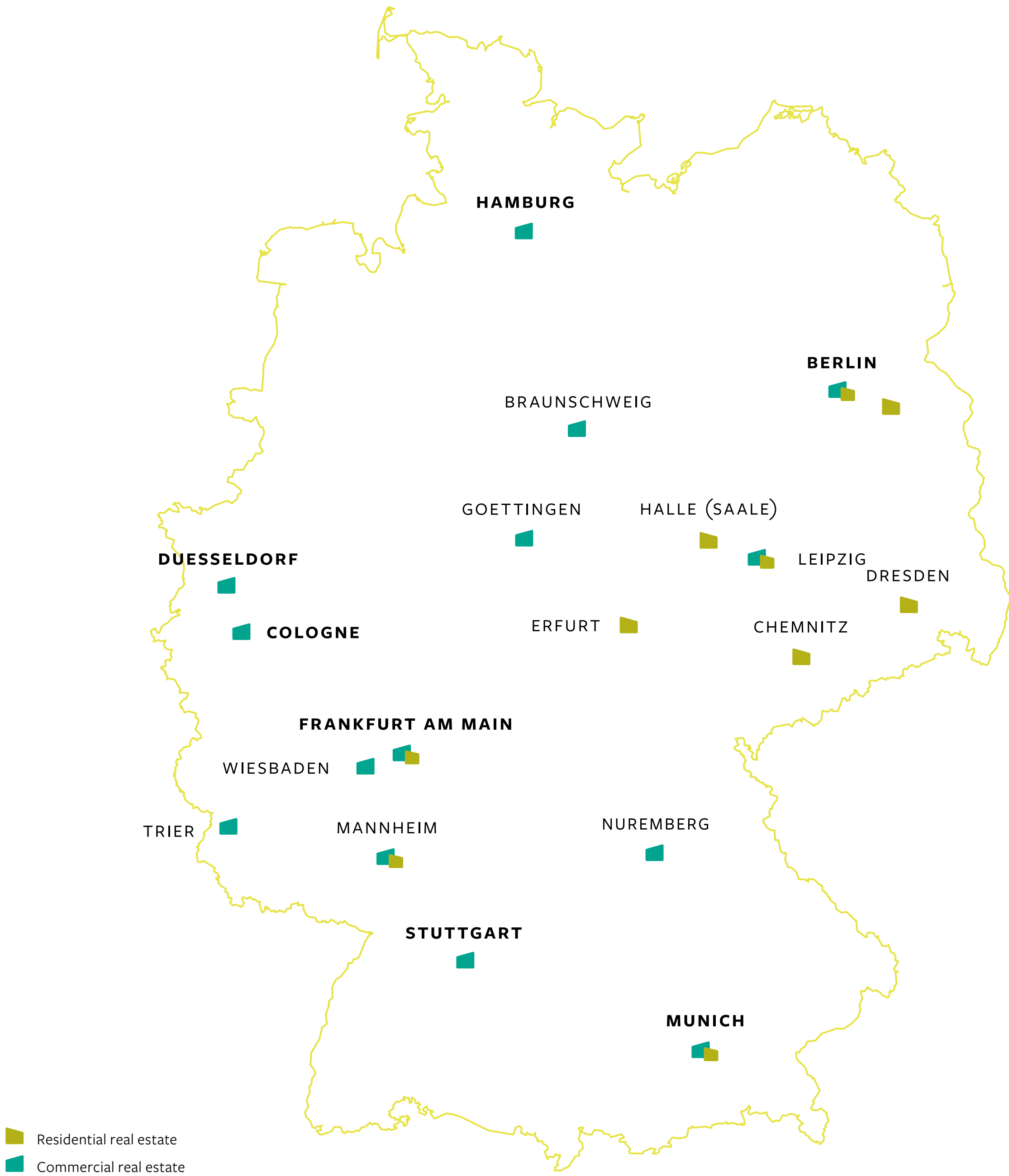
RESIDENTIAL REAL ESTATE

The effects of the rising demand for flats and apartments are being felt throughout the residential real estate market. According to current forecasts, the number of German households is expected to increase from 41.3 million in 2017 to 43.2 million in 2035, and reflects the rising number of single-person households. Increasing urbanisation and more single-person households will lead to a considerable rise in demand for living space for the foreseeable future. There is not enough supply to meet this demand as the number of completed residential construction projects is not sufficient to fill this gap. Furthermore, the discrepancy between planning permissions granted and completed residential units is increasing, with a shortage of 738,000 units in Germany in 2017 alone. Accordingly, the prices for residential real estate in urban regions are therefore rising rapidly.

DUESSELDORF, THE FIVE
Type of use Office

PRIME LOCATIONS

With our development projects in the commercial and residential real estate sector, we focus on top locations throughout Germany. These include the TOP 7 metropolises and selected high-growth regions.

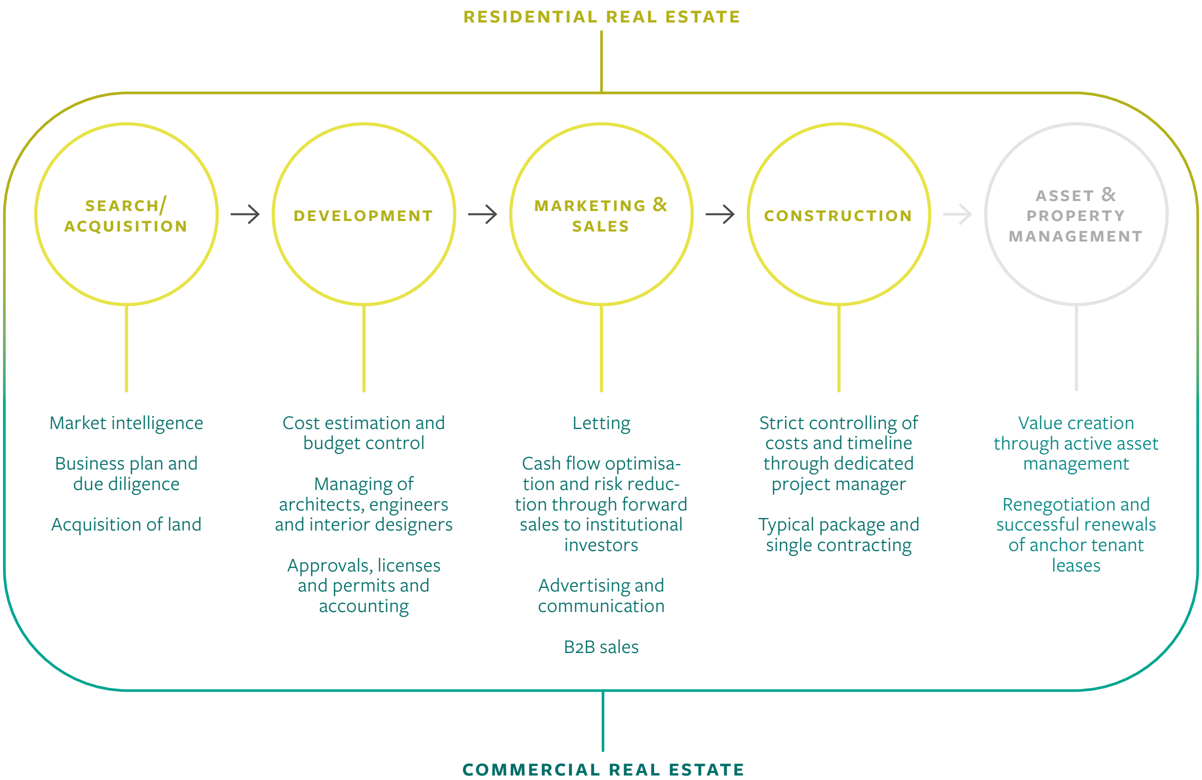


OUR BUSINESS MODEL AND OUR STRATEGY

We follow a holistic business model in the property development sector. It covers the most important steps of the value chain, including:

- Identification and acquisition of real estate and plots
- Planning and management of the development process as well as securing permits and licences
- Marketing and sales of property, especially to institutional investors
- Coordination of construction activities
- Asset and property management after the completion of a development project.

We utilise essential skills for the implementation of our business model. This includes an exclusive focus on the attractive German market and the development of residential and commercial real estate. We take a holistic approach to our business model by covering all of the important steps of the value chain ourselves, complemented by a strong sales network. Our highly attractive project portfolio will result in future growth. We also have access to an extensive acquisition pipeline for further projects. Our strong track record for profitable projects allows us to secure our growth in the future.



Lasting success in project development can only be achieved if realistic risk/opportunity analyses are conducted early on in the project. We therefore place great importance on a well-balanced risk/opportunity profile for new projects. For us, this starts with a realistic evaluation of the project early in the realisation phase. In order for us to take on a project, it must meet our return expectations. We aim to create transaction security and achieve long-term cash flows early on through high pre-leasing rates in commercial real estate development as well as forward sales in residential development. All processes must be optimally adapted to the specific project requirements from start to finish.

OUR STRATEGY

Our strategy is plain and simple: We want to continue expanding our position as a leading developer of residential and commercial real estate in the long term.

The key elements of this strategy include:

- Strengthening our presence in the TOP 7 cities (Berlin, Duesseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart), as well as in major medium-sized German cities
- A balanced and diverse development project portfolio
- Expanding and stocking up our development portfolio with new attractive plots
- Optimising our finance structure through use of different sources of finance

In this way, we are planning an attractive EBITDA margin of 25 per cent at project level.

COMMERCIAL REAL ESTATE DEVELOPMENT

Our commercial real estate activities are focused on the real estate development segment. We have a strong track record in the development of commercial real estate projects, including many prominent properties, such as the Kranhäuser buildings in Cologne. Our objective is to develop attractive, high-end office buildings with a modern architecture and flexible functionality.

But we are also experts in the development of mixed-use buildings (such as buildings with retail space on the ground floor and offices and flats on the upper floors) that are typical of city centres and pedestrian zones. In the spring of 2019, the GDV for commercial real estate development projects was around 1.4 billion, making up around 37 per cent of the total development portfolio.

Over 50 per cent of our commercial real estate development portfolio is already in the TOP 7 cities today.

RESIDENTIAL REAL ESTATE DEVELOPMENT

In the residential real estate development segment, we are concentrating our activities on selected metropolitan regions in Germany, usually cities with populations of at least 100,000. Our expertise is in building new medium-sized blocks of flats for modern living, as well as in mixed-use real estate and plots. We have our own development team for residential construction projects, but also work with a selection of partners who have local expertise and networks in this market.

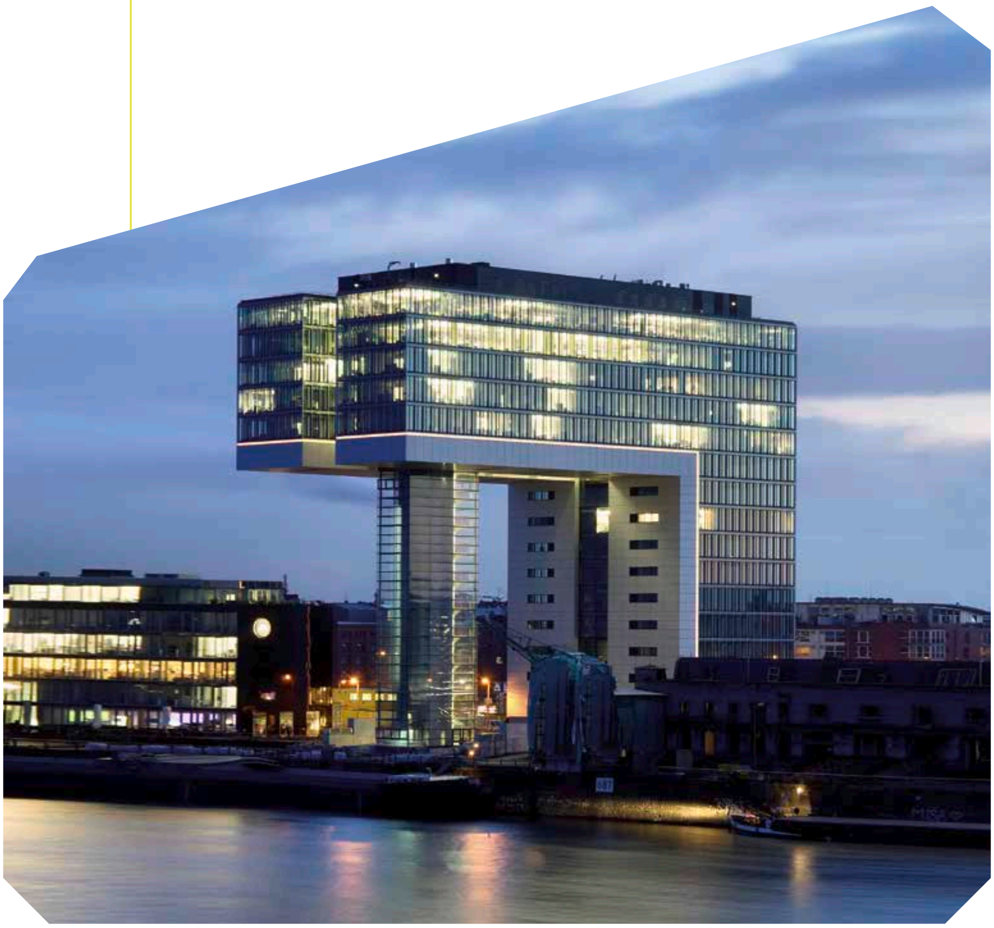
OUR TRACK RECORD

DEVELOPED AND SOLD PROPERTIES

COLOGNE, KRANHAUS EINS

Type of use Office
Usable area 16,000 sqm

At the promising Rheinauhafen site in Cologne, GATEWAY became involved at an early stage with impulse-giving and formative projects. Among them is also the Kranhaus EINS, which was the initial spark for an ensemble of three buildings and enjoys the highest visibility to a great extent. The Kranhaus EINS was completed in 2008 and was sold to IVG Institutional Funds GmbH, Wiesbaden, at an early stage of the project. In 2009, the building in Cannes received the coveted MIPIM Award as the best commercial project development of the year.



DUESSELDORF, DOCK/PEC

Type of use Office
Usable area 15,300 sqm
Usable area office/event (PEC) 6,800 sqm
Usable area office (DOCK) 8,500 sqm

Duesseldorf's Media Harbour is a booming location that is characterised by international architects and international companies alike. GATEWAY developed the two office buildings PEC (Port Event Center) and DOCK (Duesseldorf Offce Center Kaistraße) together with the architects Jo Coenen, Maastricht, and Norbert Wansleben, Cologne. In particular, the sophisticated integration of historical architecture through the so-called cloud bracket provides the project with high visibility and appropriate attention.

The largest tenant of the building complex is the international advertising agency Ogilvy & Mather. Global fashion companies such as Pepe Jeans, Cecil and Superdry have also settled in the DOCK. In addition, Development Partner, a subsidiary of GATEWAY, moved into its headquarters in the DOCK in 2006.

OUR TRACK RECORD

PROJECTS UNDER DEVELOPMENT

HAMBURG, FUHLE 101

Type of use Office, Trade
Usable area 11,000 sqm
Usable area office 2,000 sqm
Usable area trade 9,000 sqm

In Hamburg-Barmbek, GATEWAY is developing a former Hertie property at Fuhlsbüttler Strasse 101. The planning envisages a commercial building with around 9,000 sqm of catering and retail space. There is also a hotel with more than 200 rooms.

The building, which is already almost fully let with tenants such as Rewe, Aldi, Rossmann, Peter Pane, True Fitness and the Intercity Hotel, is scheduled for completion in the end of 2019.

COLOGNE, ONE

Type of use Office
Usable area 15,000 sqm

With ONE COLOGNE, GATEWAY is involved in the development of an extraordinary office building with around 15,000 sqm in a prime location in Cologne. The new development at the intersection of two major highways has excellent visibility and promises to be a new landmark for Cologne. The comprehensive refurbishment transforms the timeless building structure into an exclusive office building with flexible floor plans. Consequently, Lufthansa was one of the first tenants to secure a rental area of around 4,600 sqm in the elegant three-pane high-rise well before completion.

BERLIN, MICHAELKIRCHSTRASSE
Type of use Office
Usable area 20,000 sqm

The area between the city centre and Mediaspree is one of the most exciting locations in Berlin's city centre. GATEWAY contributes to the positive neighbourhood development with a premium commercial building on the last available site with direct access to the Spree between the Michael and Schilling bridges.

In this prominent location, a new commercial building for retail, office and residential use is being built, as well as a lively variety of uses on the ground floor. For its part, the city of Berlin will expand the strip of land south along the Spree into a riverside promenade, which will further enhance the quality of life in the quarter.

DUESSELDORF, KENNEDYDAMM
Type of use Office
Usable area 42,500 sqm

Located directly on Kennedydamm, the new “GATEWAY Düsseldorf” skyscraper will undoubtedly become another lighthouse project for Duesseldorf that will shape the silhouette of the city. Within the framework of an architectural-city planning competition, the City of Duesseldorf, together with international architects, chose a winning design which is characterised by its modern architectural language as well as by the creation of innovative office environments with marginal uses such as gastronomy, local supply and hotel.

The new building blends in perfectly with the urban planning conditions and is the new highlight alongside the Sky Office and the L’Oréal building.

1.4 billion pipeline projects

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THE GATEWAY-SHARE

2018 TRADING YEAR

The 2018 trading year witnessed increased global, political and economic risks stemming from situations like the simmering trade conflict between the two major economic powers USA and China, low-interest policies of the central banks and a weakened global economy.

Unable to shield itself from this environment, the DAX already suffered major losses at the beginning of the year. Over the course of the year, the DAX saw a loss of 18.3 per cent compared to the last trading day of 2017. The SDAX suffered an even greater loss of 20.0 per cent during the same period.

After a weak first quarter, prices were able to recover considerably in the second quarter. By late September, prices had mostly become stable albeit with increasing volatility. After a number of large companies issued profit warnings and economic concerns mounted, GDP development prospects for many countries sank in the second half of the year. This resulted in stock markets losing momentum, with the DAX and SDAX suffering losses of 14.4 per cent and 20.5 per cent respectively.

PERFORMANCE OF THE GATEWAY-SHARE

Shares in Gateway Real Estate AG were able to maintain a strong position in the capital market, with their value increasing by 35 per cent over the course of the year. The closing price on the Stuttgart Stock Exchange was €4.50 at the end of 2018, compared to around €3.30 at the end of 2017. The EPRA sector index, which includes the values of German real estate, ended the year nearly unchanged.

With a price of €6.00, the GATEWAY-share reached its peak in October. This increase followed the announcement of capital measures for growth financing and an increased free float.

SHAREHOLDER STRUCTURE

The company was listed on the Stuttgart stock exchange at the end of 2018. The free float was 0.5 per cent at that time. With 87.5 per cent, SN Beteiligungen Holding was the largest shareholder, followed by Sandra Ketterer with 10.7 per cent. As of December 31, 2018, shares numbered 169.8 million.

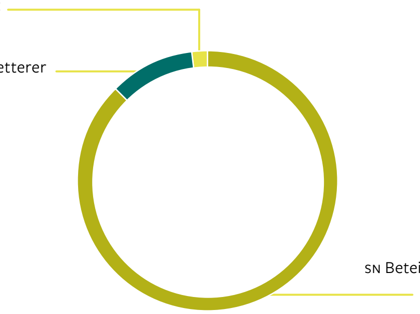
Closing price in €
28.12.2018

4.41

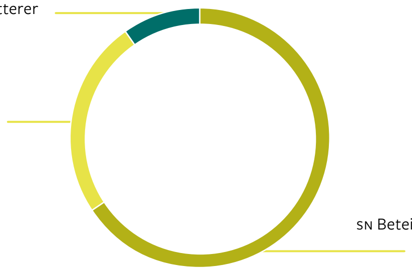
Opening price in €
02.01.2018

3.23

SHAREHOLDER STRUCTURE
as at December 31, 2018



SHAREHOLDER STRUCTURE
as at May 22, 2019



CHANGES OCCURRING AFTER THE END OF THE REPORTING PERIOD

Gateway Real Estate AG stock experienced significant changes in the first four months of 2019. The number of shares increased by 16.9 million to 186.7 million as a result of a successful increase in capital. At the same time, shares belonging to the major shareholder were reallocated, increasing the free float from 0.5 per cent to 25.8 per cent. The company also announced that it would be moving its listing from the open market segment at Stuttgart Stock Exchange to the Prime Standard segment at Frankfurt Stock Exchange. This caught the attention of national and international investors.

In preparation for this transaction, the management organised a number of road shows in major German, European and other cities across the globe where Gateway Real Estate AG presented the new business model to institutional and qualified private investors and discussed its future growth expectations.

Listing in the Prime Standard segment means that the company will expand its IR communications and seek to engage more with investors.

Gateway Real Estate AG hopes that the new business model and high cash flow intensity will enable it to pay a dividend.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2018 FINANCIAL YEAR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DEZEMBER 31, 2018

ASSETS

in € thousand	Note	31.12.2018	31.12.2017	01.01.2017
Non-current assets				
Intangible assets	6.1	39,900	0	1
Property, plant and equipment	6.2	469	262	299
Investment properties	6.3	238,197	0	0
Investments accounted for using the equity method	6.4	35,668	4,130	2,752
Other non-current financial assets	6.6	9,570	7,988	3,987
Deferred tax assets	6.12	4,826	157	0
		328,630	**12,537**	**7,039**
Current assets				
Inventories	6.5	342,736	178,975	25,460
Trade receivables	6.6	1,810	1,302	2,440
Current income tax receivables		652	149	4
Other financial assets	6.6	11,740	163	2,264
Other non-financial assets	6.6	3,527	1,187	134
Cash and cash equivalents	6.7	73,931	14,504	23,207
Non-current assets held for sale	6.3	35,590	0	0
		469,986	**196,280**	**53,509**
		798,616	**208,817**	**60,548**

EQUITY AND LIABILITIES

in € thousand	Note	31.12.2018	31.12.2017	01.01.2017
Equity				
Subscribed capital	6.8	169,785	21,175	21,175
Additional paid-in capital	6.8	-73,266	-20,601	-20,625
Accumulated comprehensive income	6.8	49,313	16,173	10,129
Non-controlling interests	6.8	2,593	405	-513
		148,425	**17,152**	**10,166**
Non-current liabilities				
Other non-current provisions	6.9	639	741	679
Non-current financial liabilities	6.10	398,449	114,649	38,849
Deferred tax liabilities	6.12	22,831	2,457	0
Other non-current non-financial liabilities		5	0	3
		421,924	**117,847**	**39,531**
Current liabilities				
Other current provisions	6.9	3,619	2,596	2,058
Current financial liabilities	6.10	191,663	64,474	5,893
Current income tax liabilities		4,263	439	1,526
Trade payables	6.11	10,587	2,421	609
Other financial liabilities	6.11	3,137	805	523
Other non-financial liabilities	6.11	14,998	3,083	242
		228,267	**73,818**	**10,851**
		798,616	**208,817**	**60,548**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FROM JANUARY 1 TO DECEMBER 31, 2018

in € thousand	Notes	2018	2017
Revenues	6.13	18,568	6,937
Changes in inventory	6.14	39,858	92,157
Other operating income	6.17	24,010	9,738
Gross profit		**82,436**	**108,832**
Cost of materials	6.15	-19,084	-83,648
Personnel costs	6.16	-6,333	-5,180
Result from the fair value adjustment of investment properties	6.3	9,900	0
Depreciation and amortization of intangible assets and property, plant and equipment	6.2	-130	-58
Other operating expenses	6.17	-9,906	-3,980
Operating profit		**56,883**	**15,966**
Share of profit (loss) of investments accounted for using the equity method, net tax	6.18	16,296	-110
Interest income	6.18	726	1,029
Interest expenses	6.18	-32,240	-7,193
Financial result		**-15,218**	**-6,274**
Profit (loss) before income taxes		**41,665**	**9,692**
Income taxes	6.19	-8,417	-2,756
Consolidated profit (loss)		**33,248**	**6,936**
Other comprehensive income		0	0
Total comprehensive income		**33,248**	**6,936**
thereof attributable to shareholders of the parent company	6.20		6,040
thereof attributable to non-controlling interests			896
Earnings per share (basic and diluted, in euro)	**6.20**	0.22	0.04

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM JANUARY 1 TO DECEMBER 31, 2018

in € thousand	Notes
Balance at 01.01.2017	
Profit	6.20
Other	6.8
Balance at 31.12.2017	
Profit	6.20
Reverse acquisition	6.8
Issuing costs	6.8
Other	6.8
Balance at 31.12.2018	

	Equity attributable to the shareholders of the parent company					
	Subscribed capital	Capital reserve	Profit/loss carried forward	Total	Non-controlling interests	Total equity
	21,175	**-20,625**	**10,129**	**10,679**	**-513**	**10,166**
	0	0	6,040	6,040	896	6,936
	0	24	4	28	22	50
	21,175	**-20,601**	**16,173**	**16,747**	**405**	**17,152**
	0	0	33,235	33,235	13	33,248
	148,610	-51,205	0	97,405	0	97,405
	0	-1,440	0	-1,440	0	-1,440
	0	-20	-95	-115	2,175	2,060
	169,785	**-73,266**	**49,313**	**145,832**	**2,593**	**148,425**

CONSOLIDATED STATEMENT OF CASH FLOWS

FROM JANUARY 1 TO DECEMBER 31, 2018

in € thousand	Notes	2018	2017
Consolidated profit/loss		**33,248**	**6,936**
Adjustments for:			
Depreciation of property, plant and equipment	6.2	130	57
Amortization of intangible assets	6.1	2	1
Write-downs of trade receivables	3.6	68	41
Changes in fair value from investment properties	6.3	-9,900	0
Share of profit (loss) of investments accounted for using the equity method, net tax	6.18	-16,296	110
Net financing expense		31,514	6,163
Dividends received		0	-180
Profit or loss from sale of investments accounted for using the equity method		-13,723	-8,792
Income taxes		8,417	2,756
Changes in:			
Inventories		-90,757	-113,104
Trade receivables and other receivables		-349	3,439
Non-financial assets		756	92
Trade payables and other payables		-2,700	1,988
Non-financial liabilities		11,841	-223
Provisions and employee benefits		-133	468
Interest paid		-14,912	-2,671
Income taxes received		6,474	0
Income taxes paid		-8,171	-1,689
Cash flows from operating activities		**-64,491**	**-104,608**
Interest received		726	908
Dividends received		0	180
Cash inflows from the sale of subsidiaries		28,013	0
Cash inflows from the sale of financial assets		0	724
Cash inflows from the sale of investments accounted for using the equity method		13,746	9,920
Purchase of a subsidiary less cash or cash equivalents acquired		4,460	0
Purchase of investment properties		-1,447	0
Purchase of property, plant and equipment		0	-20
Purchase of intangible assets		-6	0
Purchase of other financial assets		-7,364	-134
Purchase of investments accounted for using the equity method		-113	-2,267

in € thousand	Notes	2018	2017
Cash flows from investing activities		**38,015**	**9,311**
Cash inflows from sales of non-controlled companies		2,058	51
Cash inflows from other financial liabilities		163,303	110,801
Transaction costs for loans and borrowings		-2,216	-1,336
Cash outflows for raising capital	6.8	-1,440	0
Fees for financial liabilities not utilized		-898	-783
Repayment of borrowings		-73,320	-22,139
Cash flows from financing activities		**87,487**	**86,594**
Net increase (decrease) in cash and cash equivalents		61,011	-8,703
Change in cash and cash equivalents due to consolidation group		-1,584	0
Cash and cash equivalents as of 01.01.		14,504	23,207
Cash and cash equivalents as of 31.12.		**73,931**	**14,504**

CONSOLIDATED SEGMENT REPORT

FROM JANUARY 1 TO DECEMBER 31, 2018

					2018
in € thousand	**Standing Assets**	**Commercial Development**	**Residential Development**	**Consolidation**	**Group**
Revenues with third parties (external revenues)	8,450	10,118	0	0	18,568
Intersegment revenues (internal revenues)	0	50	0	-50	0
Revenues	**8,450**	**10,168**	**0**	**-50**	**18,568**
Gross profit	**17,898**	**68,055**	**1,536**	**-5,053**	**82,436**
Segment result (operating results)	**19,841**	**41,669**	**347**	**-4,974**	**56,883**
thereof:					
Change in value of investment properties	9,900	0	0	0	9,900
Amortization of intangible assets and depreciation of property, plant and equipment	-67	-63	0	0	-130
Share of profit/loss of at-equity investments	1,719	13,193	1,384	0	16,296
Interest income	112	627	0	-13	726
Interest expense	-2,790	-28,134	-1,329	13	-32,240
Income taxes	-3,485	-4,932	0	0	-8,417
Segment assets	**394,324**	**345,711**	**69,624**	**-11,043**	**798,616**
Equity-accounted financial assets	1,776	16,666	17,226	0	35,668
Additions to non-current assets	7,457	7,370	0	0	14,827
Segment liabilities	**282,958**	**306,481**	**66,820**	**-6,070**	**650,189**

This Group Segment Reporting is an integral part of the notes to the consolidated financial statements.

					2017
	Standing Assets	Commercial Development	Residential Development	Consolidation	Group
	0	6,937	0	0	6,937
	0	0	0	0	0
	0	**6,937**	**0**	**0**	**6,937**
	0	**108,832**	**0**	**0**	**108,832**
	0	**15,966**	**0**	**0**	**15,966**
	0	0	0	0	0
	0	-58	0	0	-58
	0	-110	0	0	-110
	0	1,029	0	0	1,029
	0	-7,193	0	0	-7,193
	0	-2,756	0	0	-2,756
	0	**208,817**	**0**	**0**	**208,817**
	0	4,130	0	0	4,130
	0	154	0	0	154
	0	**191,665**	**0**	**0**	**191,665**

NOTES FOR THE 2018 FINANCIAL YEAR

1 REPORTING ENTITY

Gateway Real Estate AG (also referred to hereinafter as "GATEWAY", the "Company" or the "Enterprise") and its subsidiaries specialize in the acquisition and long-term rental of commercial properties as investment properties as well as the development of commercial and residential properties for sale.

On October 5, 2018, GATEWAY acquired Development Partner AG (also referred to hereinafter as "Development Partner" or "DP AG") by way of a capital increase in kind in the form of issuing new shares. Development Partner operates as a project developer with a focus on residential and commercial properties in the top seven cities of Germany (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart). The acquisition of Development Partner has increased GATEWAY's portfolio of commercial properties substantially. The acquisition of Development Partner has not only increased the size and geographical extent of GATEWAY's business, but has also shifted the focus of GATEWAY's business activity to the development of residential and commercial properties in Germany.

The transaction is classified as a reverse acquisition according to IFRS 3.B19, GATEWAY is for accounting purposes regarded as the acquiree and Development Partner as the acquirer. Although the financial statements are still disclosed under the GATEWAY name as the legal parent company, the prior-year figures relate exclusively to Development Partner, as do the income statement figures for the financial year up to October 5, 2018. The present financial statements of GATEWAY therefore constitute the continuation of the financial statements of Development Partner. GATEWAY is included in the consolidation group only from October 5, 2018, as the determining acquisition date for accounting purposes, on the basis of a purchase price allocation. Please refer to Note 2.5 for further details.

GATEWAY, which is registered in the commercial register of the Frankfurt am Main local court under the number HRB 93304, has its registered head office and business address at The Squaire, Zugang 13, Am Flughafen, 60549 Frankfurt am Main.

The shares of GATEWAY are listed in the open market of the Stuttgart Stock Exchange. This stock exchange listing is not an organized market within the meaning of Section 2 para. 5 German Securities Trading Act (WpHG). Therefore, GATEWAY is not an exchange-listed or capital market-oriented company within the meaning of stock corporation and commercial law.

The consolidated financial statements were prepared by the Company's Management Board on February 19, 2019 and released for disclosure, subject to approval by the Supervisory Board, on February 20, 2019.

2 SIGNIFICANT ACCOUNTING AND VALUATION METHODS

The significant accounting and valuation methods applied in preparing the present financial statements are described in the following.

2.1 GENERAL INFORMATION

The Company's consolidated financial statements as of and for the financial year ended December 31, 2018 were prepared on a voluntary basis in accordance with the International Financial Reporting Standards (IFRS) applicable at December 31, 2018 (including the interpretations of the IFRS Interpretations Committee), as they have been endorsed by the European Union.

The requirements of IFRS were completely fulfilled and lead to the presentation of a true and fair view of the Group's financial position, cash flows and financial performance. 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 acquisition or production costs. By way of exception, investment properties 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 at 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, the actual results could ultimately differ from these estimates.

Unless otherwise indicated, amounts are always 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.

2.2 TRANSACTION WITH DEVELOPMENT PARTNER

On July 9, 2018, GATEWAY entered into an agreement with SN Beteiligungen Holding AG, Zug/Switzerland, for the contribution of 100% of the shares in Development Partner AG, including its subsidiaries, in exchange for the issuance of 148,610,491 shares, each representing a notional value of €1.00 in the Company's share capital. The Annual General Meeting of GATEWAY approved the capital increase on August 22, 2018. By means of this transaction, the share capital of GATEWAY increased from €21,175,000 by €148,610,491 to €169,785,491.

This transaction is a reverse acquisition accounted for in accordance with IFRS 3.B19 et seqq. Accordingly, GATEWAY is for accounting purposes regarded as the acquiree and Development Partner as the acquirer. The date of October 5, 2018 has been identified as the acquisition date for accounting purposes, since the entry was made in the commercial register on that date.

As a result, GATEWAY's consolidated financial statements as of and for the financial year ended December 31, 2018 represent the continuation of the financial information of Development Partner. The consequence for 2018 financial year is that only Development Partner with its subsidiaries is presented in the income statement up to October 5, 2018. GATEWAY is included in the consolidation group from October 5, 2018. The prior-year comparison numbers only relate to Development Partner, including its subsidiaries. In this respect, the assets and liabilities of Development Partner were not remeasured at the acquisition date in connection with the first-time consolidation. The acquired assets and shares of associated companies have been recognized at their acquisition costs in the consolidated financial statements of Development Partner.

A purchase price allocation was conducted for the inclusion of GATEWAY in the consolidated financial statements. Please refer to Note 2.5 for more information on this subject.

Development Partner has not previously prepared consolidated financial statements according to IFRS. As a result of the transaction and the classification as a reverse acquisition, Development Partner is a first-time IFRS adopter with an IFRS opening balance sheet as of January 1, 2017 (so-called transition date). Please refer to Note 2.3 for further details.

2.3 FIRST-TIME APPLICATION OF IFRS

As explained in the preceding section 2.2., the consolidated financial statements have been prepared as if GATEWAY is the acquiree and Development Partner the acquirer, due to the classification of the transaction as a contribution of Development Partner to GATEWAY in accordance with IFRS 3. Development Partner has thus far exercised the size-dependent exemption option of Section 293 HGB (German Commercial Code) and has not prepared consolidated financial statements.

Due to the transaction, Development Partner is a first-time IFRS adopter with an opening balance sheet as of January 1, 2017 and the 2017 financial year is the conversion year.

In principle, IFRS requires the retrospective application as of December 31, 2018 of all recognition and measurement methods applicable at the reporting date of the first IFRS financial statements, as if these methods had always been applied.

Under certain conditions set out in IFRS 1, however, first-time IFRS adopters may exercise certain exception options to the full retrospective application of IFRS.

GATEWAY has exercised the following exemption options:

- IFRS 3 "Business Combinations" was not applied retrospectively to business combinations that occurred prior to January 1, 2017. Since Development Partner has not previously compiled consolidated financial statements, the exemption options of IFRS 1.C4(j) were exercised at January 1, 2017. In this regard, the acquisition costs of the consolidated subsidiaries were netted with their net assets at their carrying amounts according to IFRS at January 1, 2017 and positive difference was recognized as goodwill. The goodwill calculated in this way was subject to an impairment test at January 1, 2017. No impairment of goodwill was determined at January 1, 2017. Additional information on the impairment test is presented in section 2.10.
- In accordance with IFRS 1.D23, the transitional provisions of IAS 23.27 et seq. were applied to borrowing costs. All borrowing costs connected with the acquisition, construction or production of a qualified asset were capitalized as of the transition date of January 1, 2017.

2.4 NEW STANDARDS THAT HAVE NOT YET BEEN APPLIED

Subject to endorsement by the European Union, the following financial reporting standards newly issued or amended by the IASB in the time until the date of the present consolidated financial statements must be applied only after the reporting date and were not voluntarily applied earlier by the Company:

Standard	Content	Obligatory first-time application in annual periods beginning on or after
EU endorsement given:		
IFRS 16	Leases	01.01.2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	01.01.2019
IFRIC 23	Uncertainty Over Income Tax Treatments	01.01.2019
EU endorsement still outstanding:		
Amendment of IAS 19	Plan Amendment, Curtailment or Settlement	01.01.2019
Improvements to IFRS 2015 – 2017	Amendments and Clarifications to IFRS 3, IFRS 11, IAS 12 and IAS 23	01.01.2019
Amendments to IAS 28	Investments in Associates and Joint Ventures	01.01.2019
Amendment to IFRS 3	Definition of a Business	01.01.2020
Amendments to IAS 1 and IAS 8	Definition of Materiality	01.01.2020
IFRS 17	Insurance Contracts	01.01.2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely

EFFECTS OF THE FUTURE APPLICATION OF IFRS 16 IN THE 2019 FINANCIAL YEAR

The Group is obligated to apply IFRS 16 Leases as of January 1, 2019. GATEWAY has assessed the estimated effects of the first-time application of IFRS 16 on the consolidated financial statements as shown below. The actual effects of the application of this standard as of January 1, 2019 may deviate from this, since

— the Group has not yet completed tests and assessments of the controls in its new IT systems, and
— the new accounting policies may be subject to changes up to the publication of the first consolidated financial statements after the date of first application.

IFRS 16 supersedes the previous standards on leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases: Incentives, and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 introduces a uniform financial reporting model under which leases are to be recognized in the lessee's statement of financial position. The previous distinction between operating and finance leases under IAS 17 no longer applies for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a financial liability representing its obligation to make lease payments. There are simplification rules for short-term leases and leases for low-value assets.

The total assets will increase overall due to the recording of right-of-use assets and the lease liability. Accordingly, the equity ratio may worsen since the carrying amount of the right-of-use asset normally decreases faster than the carrying amount of the lease liability. Equity and the equity ratio fall accordingly. The statement of comprehensive income is also influenced by IFRS 16 because the total expenses are usually higher in the first years of a lease and lower in later years. In addition, operating expenses are replaced by interest and depreciation, so that important indicators such as EBITDA (for example) will change.

The operating cash flow will be higher because payments for repaying the lease liability are assigned to financing activities. Only the proportion of payments, which reflect the interest, can still be presented as operating cash flow.

Accounting at the lessor is comparable to the current standard (IAS 17) – that means that lessors still classify leases as financing or operating leases. The Group has identified the following items as leases:

— Leases for office space
— IT equipment
— Motor vehicle leases

Based on the existing leases for buildings and motor vehicles, it is assumed that a right of use and a financial liability will be recognized in the consolidated financial statements. Based on the information currently available, the Group estimates that applying IFRS 16 as of January 1, 2019 will lead to a change of reporting method in the income statement and to an increase in total assets of below €1.0 million. GATEWAY plans to exercise the exemption options for short-term leases and leases for low-value assets. The Group therefore expects that the effects of applying IFRS 16 will be immaterial.

In the course of first application, the Group intends to use the modified retrospective method. For this reason, the cumulative effect of applying IFRS 16 is recognized as an adjustment to the opening balance sheet values in equity as of January 1, 2019. The Company does not currently expect that the application of the additional future financial reporting standards will have material effects on the consolidated financial statements except for additional disclosures in the notes. The standards should be applied when first-time application is mandatory.

2.5 ACQUISITION OF GATEWAY

As explained above, GATEWAY legally acquired Development Partner by contribution agreement dated July 9, 2018. Since 148,610,491 new GATEWAY shares issued in a capital increase were granted as consideration for the contribution in kind, the previous shareholders only hold approx. 12.5% of voting rights in GATEWAY after the conclusion of the transaction. As a result of the transaction, the contributing shareholder attained the majority of voting rights in the merged company due to the conversion ratio of 1:7. For this reason, the transaction is classified as a reverse acquisition and is accounted for in accordance with IFRS 3.B19. Therefore, GATEWAY is for accounting purposes to be regarded as the acquiree and Development Partner as the acquirer.

The date of October 5, 2018 has been identified as the acquisition date for accounting purposes because the consummation of the capital increase was registered in the commercial register on this date. In the three months to December 31, 2018, GATEWAY contributed sales revenues of €8.5 million and a consolidated profit of €15.4 million to the Group earnings. Had the acquisition taken place on January 1, 2018, the Group sales revenues would have been €53 million and the Group profit for the year €39.3 million according to the Management Board's estimates.

In accordance with IFRS 3, a fictional share issue by the accounting acquirer is to be assumed in order to determine the acquisition costs in the event of a reverse acquisition. The consideration should therefore be determined on the basis of the number of shares that the Development Partners would have had to issue in order to issue to the former owners of GATEWAY the same percentage of the merged entity resulting from the reverse acquisition.

In the present case, this would have required the issuance of 21,175,000 shares in the combined business by Development Partner to the previous shareholders of GATEWAY. According to IFRS 3.37, the Level 2 fair value of the transferred consideration is to be applied as the fair value of the shares calculated in this way. In contrast to the shares of Development Partners, the shares of GATEWAY are quoted at a market price as a result of the stock exchange listing, which must be used to determine the fair value of the shares. The opening price of €4.6 per share on October 5, 2018 as the determining acquisition date was applied for this purpose because the subsequent development of the price on this date was also influenced by an ad-hoc announcement of the Company on the financing of further growth and the intention to increase the free float. The opening price is therefore regarded as the representative benchmark for the calculation of acquisition costs and represents a price prior to the business combination. This yields fictional total acquisition costs of €97,405 thousand (share price * number of shares to be issued). This corresponds to the fair value of the transferred consideration according to IFRS 3.37.

PURCHASE PRICE ALLOCATION AT OCTOBER 5, 2018

As a basic principle, IFRS 3 requires that the fair value of the net assets of the acquiree at the acquisition date is recognized in the consolidated financial statements of the accounting acquirer. The difference between the acquisition costs and the fair value of the net assets acquired is to be recognized either as goodwill, if positive, or as a negative difference through profit or loss.

Costs in the amount of €1,440 thousand incurred in connection with the issuance of shares required to implement the business combination. These costs were deducted from the additional paid-in capital reserve, with no effect on profit or loss. In addition, the legal and consulting expenses associated with the business combination in the amount of €480 thousand were recognized in profit or loss.

The recognized amounts of acquired assets and liabilities at the acquisition date are summarized in the table below:

in € thousand	
Assets	
Other intangible assets	15
Property, plant and equipment	341
Investment properties – Gateway (old)	216,420
Investment properties – April	127,488
Investments accounted for using the equity method	107
Other financial assets	2,250
Deferred tax assets	3,163
Inventories	30,451
Trade receivables	116
Current income tax assets	319
Other financial assets	2,961
Other non-financial assets	628
Cash and cash equivalents	52,549
Assets held for sale	3,890
Total assets	**440,698**
Liabilities	
Financial liabilities – Gateway (old)	-183,897
Financial liabilities – April	-122,250
Deferred tax liabilities	-19,034
Other financial liabilities	-296
Other provisions	-1,048

in € thousand	
Financial liabilities	-50,447
Current income tax liabilities	-963
Trade payables	-2,261
Other financial liabilities	-1,319
Other non-financial liabilities	-1,659
Total liabilities	**-383,174**
Total identifiable net assets	**57,524**

DETERMINATION OF FAIR VALUES:

In accordance with International Valuation Standards, the fair values of investment properties are determined on the basis of the discounted cash flow method. Under this method, the future expected rent surpluses from a property are discounted to present value at the valuation date using a market-based, property-specific discount rate. Whereas net rents are usually applied as rental revenues, the operating expenses consist primarily of administration costs to be borne by the owner. Please refer to Note 6.3 for further details.

At the acquisition date, the commercial properties of the so-called April portfolio represent a substantial part of GATEWAY's real estate portfolio. The April portfolio was acquired by Gateway Fünfzehnte GmbH and Gateway Erste GmbH under a contract dated May 9, 2018. This portfolio consists of 21 commercial properties comprising nearly 100,000 sqm of rentable space. The transfer of benefits and obligations took place at October 1, 2018. Because the acquisition date coincides closely with the effective date of the business combination, the fair value of the consideration agreed for the acquisition of the April portfolio was applied as the basis for the valuation. As consideration for the acquisition of the April portfolio, loans with a fair value of €74.1 million were assumed and a payment of €53.1 million made.

Properties classified as inventories were measured on the basis of existing purchase agreements, after deduction of costs for outstanding renovation measures.

The property of Gateway Sechste GmbH (Bad Honnef) with a fair value of €3,890 thousand is reported as available for sale at the time of acquisition. The context is the ongoing sale negotiations as of the acquisition date. This property is attributable to the Standing Assets segment.

PROVISIONALLY VALUED FAIR VALUES

The investment properties and the investments accounted for using the equity method were valued as provisional figures and therefore the purchase price allocation as of December 31, 2018 is not yet to be considered finally completed, but as provisional within the meaning of IFRS 3.45 et seqq. The reason is that at the present time not all relevant information is available for a proper determination of fair value on the date of acquisition. If within a year of the acquisition date new information about facts and circumstances becomes known, which existed on the acquisition date and which would have led to a correction of the above amounts, the accounting of the company acquisition will be adjusted.

GOODWILL

The goodwill arising from the acquisition was measured as follows:

in € thousand	
Transferred consideration	97,405
Fair value of identifiable net assets	57,524
Goodwill	**39,881**

Impairment testing rules require that the acquired goodwill is assigned to the cash-generating units that are expected to derive benefits from the synergies of the business combination. This assignment could not be completed by the end of the reporting period due to the interplay between the transaction structure and the business-specific features of the real estate industry, particularly including the notional calculation of acquisition costs as a consequence of the reverse acquisition and the attribution of the expected synergy potential to the existing and newly acquired business.

Due to the reverse acquisition, not only was the scope and geographical alignment of the Group's business activities widened, but also the focus of business activities moved from being a portfolio holder to becoming a leading listed developer of commercial and residential property in the B2B area throughout Germany. By pooling the business activities of GATEWAY with those of Development Partner, various synergies are expected. The Group benefits in this respect from lean structures, low overheads and its proven business relationships with strategic partners. Through the diversification of various asset classes and the excellent market access by an experienced management team, a stable growth trajectory is assumed. When interpreting the goodwill one must also take into account that the business of Development Partner also has considerable hidden reserves itself, which is also reflected in the price on the acquisition date used as a basis for calculating the costs of purchase.

2.6 CONSOLIDATION

A) SUBSIDIARIES

All subsidiaries of GATEWAY are included in the consolidated financial statements if they are not immaterial for the presentation of the Group's financial position, cash flows and financial performance. Subsidiaries are companies whose financing and operating policies can be controlled by the Group, directly or indirectly. Control is assumed when one company has control over the key activities of the other company, entitlements to the variable repayments from the other company and can influence these repayments by means of its control.

A list of consolidated companies is presented below in section 2.6.b Consolidation group.

Subsidiaries are included in the consolidated financial statements by way of full consolidation from the date when the possibility of control has passed to the Group. They are deconsolidated from the date when the possibility of control no longer exists.

Purchased subsidiaries are accounted for by the acquisition method in accordance with IFRS 3. The acquisition costs are equal to the fair value of the assets acquired, the equity instruments issued and the liabilities created or assumed at the acquisition date. Assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of acquisition costs over the Group's share of the net assets measured at fair value is recognized as goodwill. If the acquisition costs are lower than the fair value of the (proportional) net assets of the acquired subsidiary, the negative difference is recognized directly in the statement of comprehensive income.

The acquisition and sale of further interests in subsidiaries are recognized in equity as equity transactions in the form of payments to outside shareholders if they do not change the status of the subsidiary (so-called "acquisition without status change"). The resulting differences are set off against the as yet unutilized results.

Intragroup receivables and payables and income and expenses are netted. Intragroup transactions, balances and profits on transactions between group companies are eliminated. The same applies to losses unless the transaction is indicative of an impairment of the transferred asset. The accounting and valuation methods of subsidiaries were modified if necessary to ensure uniform group accounting methods.

B) CONSOLIDATION GROUP

The following section provides an overview of the Group's consolidation group. Prior to the contribution to GATEWAY, Development Partner acquired a number of equity investments under common control in 2018. Please refer to Note 6.22 for details.

At the reporting date, GATEWAY includes the following subsidiaries in its consolidated financial statements by way of full consolidation.

Subsidiaries (Standing Assets)	Registered head office	Business activity	Ownership interest in % 31.12.2018	31.12.2017
Gateway Asset Management GmbH	Eschborn	Commercial properties	100.00	–
ABK Wohnraum GmbH & Co. KG	Leipzig	Residential properties	94.50	–
GATEWAY Betriebsvorrichtungen – Dienstleistungen – Marketing GmbH (formerly: Gateway Dreizehnte GmbH)	Frankfurt am Main	Commercial properties	100.00	–
Gateway Erste GmbH	Frankfurt am Main	Commercial properties	100.00	–
Gateway Zweite GmbH & Co. KG	Frankfurt am Main	Commercial properties	100.00	–
Gateway Vierte GmbH	Frankfurt am Main	Commercial properties	100.00	–
Gateway Fünfte GmbH	Frankfurt am Main	Commercial properties	100.00	–
Gateway Sechste GmbH	Frankfurt am Main	Commercial properties	100.00	–
Gateway Siebte GmbH	Frankfurt am Main	Commercial properties	100.00	–
Gateway Achte GmbH	Frankfurt am Main	Commercial properties	100.00	–
Gateway Neunte GmbH	Frankfurt am Main	Commercial properties	100.00	–
Gateway Elfte GmbH	Frankfurt am Main	Commercial properties	94.00	–
Gateway Zwölfte GmbH	Frankfurt am Main	Commercial properties	100.00	–
Gateway Vierzehnte GmbH	Frankfurt am Main	Commercial properties	100.00	–
Gateway Fünfzehnte GmbH	Frankfurt am Main	Commercial properties	100.00	–
Gateway Sechzehnte GmbH	Frankfurt am Main	Commercial properties	100.00	–
GTY 1te Dresden GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Duisburg GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Stralsund GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Hagen GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Rosenheim GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Oberhausen GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Pfronten GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Bochum GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Bünde GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Düsseldorf GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Hildesheim GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Kassel GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Lübeck GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Lüdenscheid GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Lünen GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Minden GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Siegen GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 1te Wuppertal GmbH & Co. KG[1]	Eschborn	Commercial properties	100.00	–
GTY 15te Kassel GmbH & Co. KG[2]	Eschborn	Commercial properties	100.00	–
GTY 15te Hamm GmbH & Co. KG[2]	Eschborn	Commercial properties	100.00	–
GTY 15te Dresden GmbH & Co. KG[2]	Eschborn	Commercial properties	100.00	–

[1] Ownership through Gateway Erste GmbH
[2] Ownership through Gateway Fünfzehnte GmbH

Subsidiaries (Standing Assets)	Registered head office	Business activity	Ownership interest in % 31.12.2018	31.12.2017
Development Partner AG[1]	Düsseldorf	Commercial properties	100.00	–
Immobilienbeteiligungsgesellschaft am Kennedydamm in Düsseldorf mbH	Düsseldorf	Commercial properties	94.00	100.00
Immobilienbeteiligungs-Verwaltungsgesellschaft am Kennedydamm in Düsseldorf mbH	Düsseldorf	Commercial properties	100.00	100.00
Projektentwicklung Breite Gasse in Nürnberg GmbH	Düsseldorf	Commercial properties	94.00	51.00
Projektentwicklung Rudolfplatz in Köln GmbH	Düsseldorf	Commercial properties	94.00	51.00
Projektentwicklung Venloer Straße in Köln Beteiligungsgesellschaft mbH	Düsseldorf	Commercial properties	100.00	100.00
Projektentwicklung Brotstraße in Trier GmbH	Düsseldorf	Commercial properties	94.00	94.00
Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden Beteiligungs-Verwaltungsgesellschaft mbH	Düsseldorf	Commercial properties	100.00	100.00
Projektentwicklung Am Barmbeker Bahnhof in Hamburg Beteiligungs-Verwaltungsgesellschaft mbH	Düsseldorf	Commercial properties	100.00	100.00
Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH	Düsseldorf	Commercial properties	94.00	51.00
Projektentwicklung Uerdinger Straße in Düsseldorf Residential GmbH	Düsseldorf	Commercial properties	94.00	51.00
Projektentwicklung Michaelkirchstraße in Berlin GmbH	Düsseldorf	Commercial properties	94.90	–
Projektentwicklung Michaelkirchstraße in Berlin Beteiligungsgesellschaft mbH	Düsseldorf	Commercial properties	100.00	100.00
Development Partner Residential GmbH	Düsseldorf	Residential properties	100.00	–
Beteiligungsgesellschaft Berlin-Heinersdorf 18 GmbH	Berlin	Residential properties	90.00	–
Projektentwicklung Taunusstr. 52-60 in Frankfurt GmbH	Düsseldorf	Residential properties	90.00	–
2. Colossa Projekt GmbH & Co. KG	Leipzig	Residential properties	100.00	–
Objekt Heinersdorf in Berlin GmbH	München	Residential properties	100.00	–
Projektentwicklung Kranhaus im Rheinauhafen Köln GmbH	Düsseldorf	Commercial properties	100.00	100.00
Projektentwicklung Kassel GmbH	Düsseldorf	Commercial properties	100.00	100.00
Projektentwicklung Große Bockenheimer Straße in Frankfurt am Main GmbH	Düsseldorf	Commercial properties	100.00	100.00
Projektentwicklung Schloßstraße in Berlin GmbH	Düsseldorf	Commercial properties	100.00	100.00
Projektgesellschaft Wohnen an der Neuenhöfer Allee in Köln GmbH & Co. KG	Düsseldorf	Commercial properties	90.00	90.00
Projektentwicklung in Düsseldorf Beteiligungsgesellschaft mbH & Co. KG	Düsseldorf	Commercial properties	80.00	80.00
MUC Airport Living GmbH	Munich	Commercial properties	90.00	–
Movingstairs GmbH	Vienna	Commercial properties	90.00	–
Gewerbepark Neufahrn Projektentwicklungs-GmbH	Vienna	Commercial properties	100.00	–
Single Apartment erste Beteiligungs GmbH	Leipzig	Residential properties	94.00	–
Single Apartment zweite Beteiligungs GmbH	Leipzig	Residential properties	94.00	–
Jugendstilpark München 1 Holding GmbH	Düsseldorf	Residential properties	100.00	–
Jugendstilpark München 1 GmbH	Düsseldorf	Residential properties	100.00	–
Immobiliengesellschaft am Kennedydamm in Düsseldorf mbH & Co. KG[2]	Düsseldorf	Commercial properties	Absorption	100.00

[1] Development Partner AG was the group's parent company until October 4, 2018.
Gateway Real Estate AG has been the group's parent company since October 5, 2018.
[2] Absorption into Immobilienbeteiligungsgesellschaft am Kennedydamm in Düsseldorf mbH at August 10, 2018

The reporting date for the subsidiaries included in the consolidated financial statements is the same as the reporting date of the parent company. Uniform recognition and measurement methods were applied in the separate financial statements of the companies included in the consolidated financial statements. In accordance with Section 264b HGB (German Commercial Code), the commercial partnerships listed as subsidiaries in the table above and included in the consolidated financial statements are exempt from the obligations to prepare, have audited and published separate financial statements and a separate management report, that apply to corporations. Companies of subordinate importance for the Group's financial position, cash flows and financial performance were not included in the consolidated financial statements for materiality reasons.

In addition, the following companies are included in the consolidated financial statements as associated companies according to the equity method:

	Registered head office	Business activity	Ownership interest in % 31.12.2018	Ownership interest in % 31.12.2017
GAM Retail Portfolio Holding GmbH	Berlin	Commercial properties	42.15	–
Retail Portfolio Teilestraße Objekt UG	Berlin	Commercial properties	40.00	–
Retail Portfolio Wittenauer Straße UG	Berlin	Commercial properties	40.00	–
Retail Portfolio Bremerhaven Objekt UG	Berlin	Commercial properties	40.00	–
Retail Portfolio Düsseldorf Objekt UG	Berlin	Commercial properties	0.00	–
Projektentwicklung Venloer Straße in Köln S.à r.l.	Luxembourg	Commercial properties	20.00	20.00

In addition, the following companies are included in the consolidated financial statements as joint ventures according to the equity method:

	Registered head office	Business activity	Ownership interest in % 31.12.2018	Ownership interest in % 31.12.2017
Berlin Marienfelde Südmeile Objekt GmbH	Berlin	Commercial properties	50.00	–
Duisburg EKZ 20 Objekt GmbH	Berlin	Commercial properties	50.00	–
GAMWAY Holding GmbH	Berlin	Commercial properties	50.00	–
Projektentwicklung Weender Straße in Göttingen GmbH & Co. KG	Düsseldorf	Mixed	20.50	20.50
Projektentwicklung Weender Straße in Göttingen Verwaltungsgesellschaft mbH	Düsseldorf	Mixed	50.00	50.00
Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden GmbH	Düsseldorf	Commercial properties	40.02	40.02
Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden Beteiligungsgesellschaft mbH & Co. KG	Düsseldorf	Commercial properties	60.00	60.00
Projektentwicklung Am Barmbeker Bahnhof in Hamburg GmbH	Düsseldorf	Commercial properties	30.00	30.00
Projektentwicklung Am Barmbeker Bahnhof in Hamburg Beteiligungsgesellschaft mbH & Co. KG	Düsseldorf	Commercial properties	75.00	75.00
Immobiliengesellschaft Hutfiltern in Braunschweig GmbH	Düsseldorf	Mixed	60.00	60.00
Projektentwicklung KÖLNCUBUS Süd GmbH	Düsseldorf	Commercial properties	0.00	60.00
LE Quartier 1.4 GmbH	Leipzig	Residential properties	50.00	0.00
LE Quartier 1.5 GmbH	Leipzig	Residential properties	44.00	0.00
LE Quartier 1.6 GmbH	Leipzig	Residential properties	50.00	0.00
LE Quartier 1 GmbH & Co. KG	Leipzig	Residential properties	46.00	0.00
LE Quartier 5 GmbH & Co. KG	Leipzig	Residential properties	41.00	0.00

2.7 FUNCTIONAL CURRENCY

GATEWAY prepares its consolidated financial statements in euros (€). The euro is the currency of the primary economic environment in which GATEWAY and its subsidiaries operate and is therefore its functional currency.

2.8 INTANGIBLE ASSETS

A) GOODWILL

Goodwill is calculated as the excess of acquisition costs of a company over the Group's share of the fair value of the net assets of the acquired company at the acquisition date, and is presented as an intangible asset. Goodwill represents the expected synergy effects of the business combination for the cash-generating unit to which the goodwill is attributed.

B) OTHER INTANGIBLE ASSETS

This category mainly comprises purchased software. It is capitalized at acquisition costs and amortized on a straight-line basis over its useful life. The useful life of purchased software is usually one to three years.

2.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at acquisition costs minus accumulated depreciation and impairments. Depreciation is charged on a straight-line basis with due regard to the residual value and based on the following main useful lives:

- IT hardware: 3 years
- Trade fair stand: 6 years
- Office equipment: 5 to 20 years

The residual values and remaining economic useful lives are reviewed and when necessary adjusted at every reporting date. Subsequent acquisition or production costs are only capitalized if it is probable that future economic benefits will flow to the Company. All other repairs and maintenance are recognized as expenses in the statement of comprehensive income in the financial year in which they incurred. If the carrying amount of an asset is higher than its estimated recoverable amount, the carrying amount is written down regarding to this lower amount. Gains and losses on the disposal of property, plant and equipment are calculated by comparing the sale proceeds with the carrying amount plus directly allocable selling expenses, and are recognized within the operating profit.

2.10 IMPAIRMENTS OF NON-FINANCIAL ASSETS

Goodwill is subject to an impairment test whenever there is an indication of impairment, but at least once a year. Property, plant and equipment and intangible assets, which are subject to systematic depreciation and amortization, are checked for impairments as soon as events or indications suggest that the carrying amount is possibly not recoverable. An impairment loss is recognized in the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the discounted net cash flows from the further use of the asset (value in use).

To determine the potential need for an impairment, assets are aggregated to form cash-generating units at the lowest level for which cash flows that are largely independent of the cash flows from the Company's other activities can be identified. No impairment test was carried out as of the reporting date for the goodwill from the reverse acquisition, because the allocation has not yet been completed and there are no indications of the existence of any impairment. Starting from the financial year 2019, the goodwill will generally be tested for impairment at the level of the cash-generating unit to which it is assigned. Non-financial assets besides goodwill that have been affected by impairment are reviewed at the end of every financial year to determine any need to reverse the previously recognized impairment.

If the value of an asset increases subsequently, recognized impairments are reversed and the carrying amount is written up to no more than the amortized cost of the asset. Impairments of goodwill are not reversed.

2.11 INVESTMENT PROPERTIES (INCOME PROPERTIES)

Upon initial recognition, GATEWAY classifies real estate according to its intended use either as investment properties, inventories or properties used in the Group's business operations in the category of property, plant and equipment.

Investment properties are those properties of the group that are neither used in the Group's business operations nor intended for sale.

Properties that are meant to be held on a long-term basis, but do not meet the criteria for investment properties according to IAS 40 are presented within property, plant and equipment.

Properties developed by the Group itself and intended to be sold after completion are presented as inventories. In addition, one property acquired with the intention to resell it is included in inventories.

There are no sales activities related to investment properties. They are meant to be held and leased over the medium to long term or held for appreciation purposes.

Upon initial recognition, investment properties are measured at acquisition or production cost, including incidental expenses. In subsequent periods, they are measured at fair value, which reflect the market conditions at the reporting date. Any profit or loss from a change in fair value is recognized in the income statement. Subsequent costs for expanding and rebuilding the property are added to the carrying amount if they contribute to an increase in the fair value of the property.

As an additional assumption applied in measuring the value of investment properties, the best possible use of a property must be considered. Planned use changes are taken into account in the measurement of properties if such changes are technically feasible, legally permissible and financially practicable.

When properties are reclassified from the intended-for-sale category to the category of investment properties, any difference existing at this time between the fair value and the carrying amount is recognized within the measurement result item of the income statement.

Real estate holdings are measured annually at December 31. The fair values of income properties are measured on the basis of appraisals conducted by independent, external experts applying recognized valuation methods. The independent experts engaged for this purpose possess the requisite professional qualifications and experience to conduct the appraisals. The appraisals are based on information provided by the company, including (for example) current rents, maintenance and administrative expenses, and the current vacancy rate, as well as assumptions of the expert appraiser, which are based on market data and evaluated on the basis of his professional qualifications. Such assumptions relate to (for example) future market rents, standardized maintenance and administrative expenses, structural vacancy rates and capitalization interest rates.

The information provided to the appraiser and the assumptions made, as well as the results of the real estate appraisal, are analyzed externally by the auditing firm engaged to prepare the consolidated financial statements and by the Management Board.

2.12 INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Associated companies are those companies on which the Group can exercise significant influence, but is not able to control or jointly direct the Company's financial and business policies. Significant influence is presumed when GATEWAY is entitled to a share of voting rights of at least 20% or more directly or indirectly.

A joint venture is an arrangement under which the Group exercises joint control and holds rights to the net assets of the arrangement, instead of rights to its assets and obligations for its liabilities.

Shares in associated companies and joint ventures are carried by applying the equity method and recognized at their cost of purchase upon acquisition.

The Group's share of the profits or losses of associated companies is recognized in the income statement from the date of acquisition. The cumulative changes after acquisition are offset against the net carrying amount. If the Group's share of losses in a company consolidated on the basis of the equity method corresponds to or exceeds the Group's share in this company, including other unsecured receivables, the Group does not recognize any further losses unless it has entered into obligations for that company or has made payments for that company.

Unrealized profits on transactions between group companies and companies consolidated on the basis of the equity method are eliminated in the amount of the proportional share of equity held in the associated companies. Unrealized losses are likewise eliminated, unless the transaction is indicative of an impairment of the transferred asset.

The accounting and valuation methods of companies that were consolidated on the basis of the equity method were modified when necessary to ensure uniform group accounting methods. This concerns in particular the application of principles for a period-related realization of sales and profit where there is a contract of sale for properties under development. Where a company consolidated with the equity method has sub-interests, inclusion takes place based on pre-consolidation insofar, as the available information allows for it.

2.13 FINANCIAL ASSETS

Upon initial recognition, financial assets are assigned to one of the following valuation categories:

- Financial assets measured at amortized cost (AmC);
- Financial assets measured at fair value through other comprehensive income (FVtOCI);
- Financial assets measured at fair value through profit or loss (FVtPL).

The classification depends on the Company's business model for managing financial assets and the contractual cash flows.

The Group measures its financial assets at amortized cost when both the following conditions are met:

- The objective of the business model under which the financial asset is held is to collect contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets that belong within this valuation category consist of trade receivables, other financial assets, and cash and cash equivalents.

Financial assets measured at fair value through other comprehensive income include:

- Equity instruments that are not held for trading purposes and which the Group has irrevocably elected to assign to this category upon initial recognition.
- Debt instruments generating contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, when the objective of the business model under which the financial assets are held is both to collect the contractual cash flows and to sell the financial assets.

In the reporting period and comparison period, the Group only held equity investments in non-consolidated affiliated companies of subordinate importance, which were measured at fair value and recognized in equity.

Generally the choice of designation of equity instruments for each investment is made individually.

Assets that do not meet the criteria of the "amortized cost" category or the "FVtOCI" category are assigned to the "fair value through profit or loss" (FVtPL) category.

In both the reporting period and the comparison period, only the Group's embedded separable derivatives are assigned to the category of "fair value through profit or loss" (FVtPL).

Financial assets are not reclassified after initial recognition unless the Group changes the business model for managing the financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change of business model.

Embedded derivatives in structured contracts that include a host contract that represents a financial asset according to IFRS 9 are not separated. Instead, the structured contract in its entirety is classified according to IFRS 9.

Embedded derivatives in structured contracts that include a host contract that represents either a financial liability or an asset that does not fall within the scope of IFRS 9 must be separated from the host contract under certain circumstances. This is done when:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a stand-alone instrument with the same contractual conditions as the embedded derivative would meet the definition of a derivative; and
- the combined contract is not measured at fair value with changes in value recognized in period profit or loss.

Upon initial recognition, the Group measures a financial asset at fair value. In the case of a financial asset not measured at fair value thereafter through other comprehensive income, transaction costs that are directly allocable to the acquisition of the financial asset are added to the fair value. Transaction costs allocable to financial assets measured at fair value through profit or loss are recognized as expenses in the income statement. Trade receivables without a significant financing component are measured at the transaction price upon initial recognition.

Trade receivables and issued bonds are recognized from the time at which they are issued. All other financial assets and liabilities are recognized for the first time on the trade date if the Company is a party to the contract according to the contractual provisions of the instrument.

In subsequent periods, financial assets measured at amortized cost are measured at amortized cost by application of the effective interest method. The amortized cost is reduced by impairment expenses. Interest income, exchange rate gains and losses, and impairments are recognized in profit or loss. Interest income is presented within financial income. Any profit or loss arising on derecognition is recognized in profit or loss. Equity investments initially measured at FVtOCI are measured at fair value in subsequent periods. Dividends are recognized as income in profit or loss unless the dividend obviously covers part of the costs of the investment. Other net gains or losses are recognized in other comprehensive income and are never reclassified to profit or loss.

The Group derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire or it transfers the rights to receive cash flows in a transaction in which substantially all the risks and rewards incident to ownership of the financial asset are transferred. A financial asset is also derecognized when the Group neither transfers nor retains substantially all the risks and rewards incident to ownership and does not retain control over the transferred asset.

Financial assets and liabilities are netted and presented as a net amount in the statement of financial position when the Group has a current, enforceable legal right to net the recognized amounts and intends to either settle them on a net basis or to settle the corresponding liability at the same time as it sells the corresponding asset.

No financial assets and financial liabilities were netted on this basis in the reporting period and the comparison period. In addition, there are no global netting agreements or similar netting agreements within the group.

2.14 IMPAIRMENTS OF NON-DERIVATIVE FINANCIAL ASSETS

The Group assesses the credit losses associated with its financial assets measured at amortized cost on the basis of the expected-loss model. The impairment method depends on whether a significant increase in the credit risk has occurred.

The Group measures impairments as the amount of credit losses to be expected over the life of the asset, except for impairments of bank balances for which the default risk has not increased significantly in the time since initial recognition. In the latter case, impairments are measured as the amount of the expected 12-month credit loss.

The Group applies the simplified approach allowed by IFRS 9 to trade receivables. Under this approach, the credit losses expected over the life of the receivables are recognized upon initial recognition of the receivables.

Based on past experience, there are no receivables losses due to creditworthiness. Instead, receivables losses in the past have resulted from individual agreements related to lease terminations.

In determining whether the default risk of an asset has increased significantly in the time since initial recognition, and in estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and available without an unreasonable expenditure of time and costs. This includes both quantitative and qualitative information and analyses that are based on the Group's past experience and well-founded estimates, including forward-looking information.

Impairments of financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the group cannot reasonably expect that the financial asset can be recovered in full or in part. This is usually the case when the debtor fails to commit to a repayment plan with the group or has been in default for a period of more than 120 days. The group does not expect any significant collection of the written-off amount. However, written-off financial assets may be subject to enforcement measures to collect past-due receivables in order to act in accordance with the Group Guideline.

2.15 INVENTORIES

The Group's inventories still consist of the properties developed by the Group itself and are meant to be sold after completion. The development of commercial and residential properties is essentially a focal point of GATEWAY's business activities. In the Commercial Properties segment, the Group develops office buildings in Germany's top 7 cities (i.e. Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart) and in selected metropolitan regions. In the Residential Properties segment, the Group's development activities are focused on selected metropolitan regions in Germany. In development projects, the development process usually begins with the purchase of the property and a subsequent lease termination phase before the construction phase begins.

In addition to property developments intended for sale, one property presented within inventories was acquired with the intention of reselling it.

In accordance with IAS 2, inventory properties are measured at the lower of amortized acquisition or production costs and the net realizable value in the statement of financial position.

The production costs of property developments include the costs allocable to the development process and borrowing costs, if they incurred during the period of construction. All costs are capitalized in the item of changes in inventories.

The acquisition costs for properties intended for sale include the purchase price of the properties and the directly allocable incidental expenses.

Net realizable value is the estimated selling price realizable in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. At the reporting date, the net realizable values of all inventory properties were higher than the amortized acquisition or production costs, so that no impairments needed to be recognized in the net realizable value.

The majority of current inventory properties will not be realized within the next 12 months, given the fact that property developments usually take several years to complete. However, the exact amount cannot be stated because it is uncertain whether some inventory properties will be sold already in 2019 or later.

As a general rule, the sale of inventory properties is presented on a gross basis in the statement of comprehensive income. The disposal of the inventory property is recognized in the cost of materials and the corresponding sale proceeds represent revenues.

If the use intention for a property changes, the property is reclassified. No reclassifications were performed in the current financial year.

2.16 CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents comprise cash, sight deposits with banks and other short-term, highly liquid financial investments with an original term of no more than three months.

2.17 OTHER PROVISIONS

Other provisions are recognized when the Company incurs a present obligation, legal or constructive, as a result of a past event and it is probable that the settlement of the obligation will require an outflow of economic resources, and the amount of the obligation can be estimated reliably.

Expected future outflows are discounted to present value by application of a current maturity-matched interest rate before taxes that reflects the current market expectations for the interest effect and for the risks specific to the liability, if the effect is material.

If the Company expects reimbursement of an amount set aside in a provision (for example: under an insurance policy), it treats the reimbursement claim as a separate asset as long as it is virtually certain that reimbursement will be received if the Company settles the obligation.

The Company recognizes a provision for onerous contracts if the expected benefit from the contractual claim is less than the unavoidable costs of settling the contractual obligation.

2.18 FINANCIAL LIABILITIES

Nearly all financial liabilities of the Group are classified as measured at amortized cost. They only include financial liabilities, trade payables, and other financial liabilities. Upon initial recognition, these financial liabilities are measured at fair value, minus transaction costs. In subsequent periods, they are measured at amortized cost; any difference between the amount received (after deduction of transaction costs) and the amount to be repaid is recognized in the statement of comprehensive income over the term of the liability by application of the effective interest method.

Only the limited partner's share of non-controlling interests is to be measured at fair value through profit or loss. Consequently, valuation adjustments of the limited partner's share of non-controlling interests or the financial liability recognized in that respect are to be recognized in profit or loss.

Fees for the creation of credit facilities are recognized as transaction costs to the extent that it is probable that part or all of the credit facility will be utilized. In this case, an accrual is recognized in respect of the fee until the credit facility is utilized. In the absence of indications that the utilization of part or all of the credit facility is probable, the fee is capitalized as an advance payment for financial services and amortized over the term of the facility.

When financial liabilities are acquired, they are checked for embedded derivatives that need to be separated. In the context of GATEWAY, these are particularly termination options embedded in bonds or loan agreements. According to IFRS 9, a separation of an embedded termination option from a financial liability is required when the exercise price of the termination option and the carrying amount at every possible exercise date are not approximately the same at the acquisition date. When a separable embedded derivative is found to exist, the embedded termination rights are separated from the basic debt component and recognized in equity and a derivative asset or derivative liability is recognized at the same time. In subsequent periods, the separated derivative component is measured at fair value through profit or loss on the basis of option price models.

Financial liabilities are derecognized as soon as the contractual obligation is settled, cancelled, or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid, including transferred non-cash assets or liabilities, is recognized in the income statement as other comprehensive income or financing expenses.

Financial liabilities are classified as current if the Group does not have an unconditional right to defer settlement of the liability to a date at least 12 months after the reporting date.

2.19 BORROWING COSTS

As a general rule, borrowing costs that can be attributed directly to the acquisition, construction, or production of a qualifying asset are part of the acquisition or production costs of a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. A period of time longer than 12 months is deemed to be a substantial period of time. If it is probable that the qualifying asset will generate future economic benefits and the costs can be reliably measured, borrowing costs are capitalized as part of acquisition and production costs. Investment income from the temporary interim investment of borrowed funds that were specifically borrowed for the acquisition or production of a qualifying asset is deducted from the potentially capitalizable borrowing costs for this qualifying asset. In the case of property inventories under development, interest incurred during construction is capitalized on the basis of the actual interest incurred. The capitalization is recorded as a change in inventories and thus has a positive effect on EBITDA.

Borrowing costs of €23,721 thousand (PY: €8,358 thousand) were capitalized within changes in inventory in the reporting period. The calculation of the capitalizable borrowing costs was based on an average financing cost rate of 9.42% (PY: 9%).

2.20 DEFERRED AND CURRENT INCOME TAXES

Current and deferred income taxes are recognized and measured in accordance with IAS 12.

CURRENT TAXES

Current income tax assets and liabilities are measured at the expected amount of a refund from or a payment to the tax authorities. The amount is calculated on the basis of the tax rates and laws applicable at the reporting date. Current income tax assets and liabilities are netted under the conditions set out in IAS 12.71.

DEFERRED TAXES

Deferred tax receivables and liabilities are recognized to account for the future tax effects resulting from temporary differences between the IFRS carrying amounts of assets and liabilities and the corresponding tax bases, or resulting from yet unused tax loss carry-forwards and tax credits. Deferred tax assets and liabilities are recognized in profit or loss. To the extent that they relate to transactions that are recognized directly in equity, the corresponding deferred taxes are also recognized directly in equity.

They are measured at the tax rates that are expected to apply in the reporting period in which the corresponding asset will be recovered or the corresponding liability settled. The effect of tax rate changes on deferred taxes is recognized in the tax result in the period in which the change was enacted by the legislature.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the tax loss carry-forwards, tax credits, or tax-deductible temporary differences can be applied (IAS 12.24 and 12.34). Deferred tax assets and liabilities are netted when there is an enforceable right to net current tax assets and liabilities and if the deferred tax assets and liabilities are income taxes assessed by the same tax authority on the same taxpayer.

2.21 REVENUE RECOGNITION

IFRS 15 (Revenue from Contracts with Customers) establishes a comprehensive framework for determining whether, in what amount, and at what time revenues are to be recognized.

In accordance with IFRS 15, revenue is measured on the basis of the consideration specified in a contract with a customer. The amount of revenue to be recognized and at what time or over what time period is determined on the basis of a five-step model. The basic principle of the five-step model is to recognize revenues in a form that reflects the transfer of goods or services to a customer. The amount of revenue to be recognized corresponds to the consideration to which the Group is contractually entitled in exchange for these goods or services.

IFRS 15 defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. Contracts may be concluded in writing, orally, or tacitly on the basis of a company’s customary business practices. Contracts must be combined under certain circumstances. In the second step, the Group identifies the individual performance obligations. Generally speaking, a commitment is always deemed to be a performance obligation when the good or service is distinct. In the next step, the transaction price is determined, which represents the consideration for the transfer of goods or services. The transaction price of the contracts analyzed has no variable components. Only the incidental cost statements are of a variable nature and were determined on the basis of the expected value method. The expected value is continuously checked and corrected. The time period between the transfer of the good or asset to the customer and the payment by the customer is usually not more than one year. Therefore, the promised consideration is not adjusted to match the present value of money. In step 4, the consideration is allocated to the identified performance obligations on the basis of stand-alone selling prices. A suitable proof of the stand-alone selling price is the price at which the Group has actually sold the good or service individually to comparable customers under similar circumstances.

Revenues are recognized at a point of time or over time when performance obligations are satisfied. The Group transfers control over a good or service for a period provided the customer receives the benefit of the Group’s performance while it is carried out. If the performance obligation is not satisfied over a period, then the Group satisfies its performance obligation on a particular date. A performance obligation is satisfied by transferring control over the good or service. In this context, control is understood to mean the ability to direct the use of the good or service and obtain substantially all the benefits from it.

Revenues from sales of project or investment properties are recognized as revenues at the date when control is transferred to the buyer. This normally occurs upon the transfer of possession, benefits, obligations and risks of the properties. Income from sales of inventory properties (project developments or properties intended for immediate resale) is presented as revenues. By contrast, gains or losses (net balance of sale proceeds minus the disposal of the carrying amount) from sales of income properties are presented as other operating income or expenses. Recognized revenues are equal to the contractually agreed transaction price. The consideration is usually payable after the transfer of the income property.

If a binding purchase agreement is already concluded prior to the completion of the development phase of a property, revenue is recognized over time on the basis of the ascertained percentage of completion, which is determined as the ratio of construction costs already incurred to the estimated total construction costs. A precondition for this accounting treatment is that the buyer no longer has a substantive right of rescission after the conclusion of the purchase agreement. Currently, this solely pertains to Projektentwicklung Venloer Straße in Köln S.à r.l. and LE Quartier 1 GmbH & Co. KG, both of which are included in the consolidated financial statements on the basis of the equity method.

Revenues from leases are recognized on an accrual basis in accordance with the provisions of the underlying contracts. The transaction price is defined in the underlying leases and does not include any variable consideration or financing components. Rents are paid on a monthly basis. Rental income is presented within revenues. However, the contractual component of net basic rent is not subject to the scope of IFRS 15 as a lease.

GATEWAY also provides services in the form of management services agreements. The service essentially comprises the commercial execution and commercial management of construction projects, particularly including the planning, development and rental of project properties. The management services agreements specify various milestones by which the degree of completion is measured. Upon reaching a contractually agreed milestone, the Group transfers control over the partial work and acquires an unconditional claim to payment of consideration. The transaction price does not include any variable price components and the period of time between the provision of the service and payment of consideration is less than one year. Revenues from service agreements are recognized over time because the customer obtains the benefits of the service while it is being provided. This assessment is based on the fact that another company would essentially not need to provide this service again if this other company were to perform the remaining performance obligations to the customer. The percentage of completion is measured using the output-based method and is based on milestones and the corresponding fees, so that it presents a true and fair view of the transfer of control.

In accordance with IFRS 15, revenues from the billing of operating and incidental costs are presented on a gross basis because GATEWAY does not bear primary responsibility for the original performance obligation and acts as a principal. The bills are issued on a monthly basis similarly to performance and therefore the revenues are recognized in the period in which they accrue.

The Company recognizes interest income *pro rata temporis* with due regard to the remaining principal and the effective interest rate over the remaining term to maturity.

The guarantees and warranties contained in the contractual relationships do not constitute a separate performance obligation since they simply assure the customer that the supplied good or service corresponds to the contractually agreed specifications (assurance-type warranty). There are no return, reimbursement or other obligations.

According to IFRS 15, GATEWAY is required to recognize a contractual liability if the customer fulfills its contractual obligation before the Group transfers control over the good or service. Due to GATEWAY's current business model and the underlying payment conditions, the customer pays the consideration after the Group fulfills its performance obligations. Therefore, no contractual liability needs to be recognized. GATEWAY's unconditional claim to the consideration owed is presented as a receivable.

As permissible under IFRS 15, for reasons of simplification no details are given of the remaining performance obligations and the related transaction prices, since the claim to consideration always corresponds to the value of the performance rendered by GATEWAY (IFRS 15.B16).

2.22 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Obligations under short-term employee benefits are recognized as expenses as soon as the corresponding employee service is rendered. A liability is recognized for an amount that is expected to be paid when the Group currently has a legal or constructive obligation to pay this amount in respect of service rendered by the employee and when the obligation can be estimated reliably. Liabilities for wages and salaries, including non-monetary benefits for annual vacation and accumulated sick days that are expected to be paid in full within 12 months of the end of the financial year in which the employee provided the services, are recognized at the end of the reporting period and measured at the amounts that are expected to be necessary to settle the obligation.

TERMINATION BENEFITS

Termination benefits are recognized as expenses at the earlier of the following two dates: When the Group can no longer withdraw the offer of such benefits, or when the Group recognizes expenses for a restructuring. If it cannot be expected that the benefits will be completely paid within 12 months of the reporting period, they are discounted to present value.

2.23 LEASES

Leases under which the Group as lessee bears the principal risks and rewards incident to ownership of the leased object are classified as finance leases. Assets under finance leases are capitalized at the inception of the lease at the lower of their fair value or the present value of minimum lease payments. At the same time, a lease liability of the same amount is recognized within non-current lease liabilities. The part of the lease liability that is due within 12 months of the reporting date is presented within current financial liabilities. In subsequent periods, each lease payment is divided into an interest portion and a liability reduction portion on the basis of a constant rate of interest on the remaining liability. The interest portion is recognized as interest expenses in the statement of comprehensive income.

When the Company is the lessee, it treats leases that are not classified as finance leases as operating leases. Operating leases are concluded for motor vehicles, some office and business equipment and office space. These leases do not include a purchase option. Renewal options for leased office space are agreed at market terms and conditions.

The Group is the lessor under leases for inventory properties and investment properties. In the case of inventory properties, this pertains to the lease termination phase. The leases are operating leases.

2.24 RESIDUAL CLAIMS AND DIVIDEND PAYMENTS

The Group holds interests in limited partnerships and a GmbH (limited-liability company under German law), in which non-controlling interests hold equity investments. For these company forms, the non-controlling interest must be recognized as a liability based on the existing termination rights.

Non-controlling interests are measured at fair value through profit or loss. Consequently, measured value adjustments in non-controlling interests or the financial liability recognized in respect thereof are recognized in profit or loss.

2.25 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale or held for distribution when it is highly probable that they will be recovered mainly through sale or distribution and not through continued use.

In general, these assets or the disposal group is measured at the lower of their carrying amount or fair value less costs to sell. Any impairment of a disposal group is initially attributed to goodwill and then to the remaining assets and liabilities on a pro-rata basis – with the exception that no loss is attributed to inventories, financial assets, deferred tax assets, assets related to employee benefits, or investment properties that are still measured in accordance with the group's other financial reporting methods. Impairment expenses recognized upon the initial classification as held for sale or held for distribution and later gains and losses upon revaluation are recognized in profit or loss.

Once classified as held for sale or held for distribution, intangible assets and property, plant and equipment are no longer subjected to amortization and depreciation, and every investee accounted for by the equity method is no longer accounted for by the equity method.

The special measurement rules according to IFRS 5 for the date of reclassification and subsequent measurement do not apply to properties that had previously been presented within the item of "Investment properties (income properties)". In these cases, the measurement rules of IAS 40 continue to apply. To this extent, only the rules applicable to reclassification to the item of "Income properties held for sale" apply. As a general rule, such properties are reclassified when there is a sale contract for the property or the corresponding company at the reporting date or the sale of the property within the next 12 months is highly probable (economically sensible and objectively practicable). Please refer to section 2.11 for more information on measurement rules.

2.26 CASH FLOW STATEMENT

The cash flow statement shows the origin and use of the cash flows. A distinction was made between ongoing operating, investment and financing activities. The liquid funds recognized as of the balance sheet date are made up of cash in hand and at bank.

The cash flows from investment and financing activities are determined on the basis of payments.

The cash flows from current business activities are derived indirectly starting from the overall group earnings.

Changes in liabilities are reconciled with the cash flow from financing activities in the table below:

in € thousand	2018	2017
	Liabilities	
Balance at 01.01.	**179,124**	**44,742**
Changes in cash flow from financing activities		
Cash inflows from other financial liabilities	163,302	110,802
Transaction costs for loans and borrowings	-2,216	-1,335
Repayment of borrowings	-73,320	-22,139
Cash flow from financing activities	**87,766**	**87,328**
Changes from the acquisition or loss of subsidiaries, other businesses or net assets that do not represent a business	**338,561**	**39,816**
Increase in purchase price liabilities for the acquisition of investments accounted for by the equity method	**15,729**	**–**
Payment of purchase price liabilities for the acquisition of subsidiaries or other businesses	**-48,089**	**–**
Separation of embedded derivatives	**2,627**	**2,812**
Changes in fair value	**–**	**–**
Other changes		
Interest expenses	29,306	7,097
Interest paid	-14,912	-2,671
Total other changes	**14,394**	**4,426**
Balance at 31.12.	**590,112**	**179,124**

3 ADDITIONAL DISCLOSURES CONCERNING FINANCIAL INSTRUMENTS

3.1 PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

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

To limit the receivables default risk, ownership of sold properties is generally transferred to the buyer only after payment of the purchase price. Interest rate risks are not significant due to the predominantly short-term nature of borrowings. Quantitative information related to receivables default risk is provided in the later sub-section "Default risk management".

Quantitative information related to financing and liquidity risk is provided in the later sub-sections "Liquidity risk" and "Financing risk".

3.2 CAPITAL RISK MANAGEMENT

The Group regularly reviews its capital structure in connection with the preparation of its annual and interim financial statements. The equity ratio at the end of the year is presented in the table below:

Equity ratio

in € thousand	**31.12.2018**	31.12.2017
Equity	148,425	17,152
Balance sheet total	798,616	208,817
Equity ratio (in %)	18.6	8.2

3.3 CATEGORIES OF FINANCIAL INSTRUMENTS ACCORDING TO IFRS 7

In the following tables, the carrying amounts of financial instruments are assigned to the valuation categories according to IFRS 9 and the fair values of financial instruments are indicated.

					31.12.2018
	Carrying amount				**Fair value**
in € thousand	**Mandatorily at FVtPL**	**FVtOCI equity instruments**	**Financial assets – AmC**	**Other financial liabilities – AmC**	
Financial assets at fair value					
Equity investments		433			433
Embedded derivatives	4,071				4,071
Financial assets not measured at fair value					
Trade receivables			1,810		1,810
Loans			7,550		7,550
Security deposits for leased office space			82		82
Miscellaneous other financial assets			9,174		9,174
Cash and cash equivalents			73,931		73,931
Financial liabilities measured at fair value					
Limited partner's share, non-controlling interests	151				151
Financial liabilities not measured at fair value					
Liabilities to banks				294,137	294,505
Liabilities to related companies				135,624	135,624
Liabilities under corporate bonds to related companies				110,101	110,101
Liabilities from corporate bonds to third parties				33,810	33,810
Loan liabilities to third parties				16,288	16,288
Trade payables				10,587	10,587
Other financial liabilities				3,137	3,137

	Carrying amount				Fair value
					31.12.2017
in € thousand	Mandatorily at FVtPL	FVtOCI equity instruments	Financial assets – AmC	Other financial liabilities – AmC	
Financial assets at fair value					
Equity investments		378			378
Embedded derivatives	4,361				4,361
Financial assets not measured at fair value					
Trade receivables			1,302		1,302
Loans			3,256		3,256
Miscellaneous other financial assets			155		155
Cash and cash equivalents			14,504		14,504
Financial liabilities measured at fair value					
Limited liability capital, non-controlling interests	157				157
Financial liabilities not measured at fair value					
Liabilities to banks				108,857	109,583
Liabilities to related companies				23,714	23,714
Liabilities from corporate bonds to related companies				44,195	44,195
Loan liabilities to third parties				2,200	2,200
Trade payables				2,421	2,421
Other financial liabilities				805	805

Financial instruments measured at fair value are assigned to (valuation) 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 hierarchically according to their input factors:

Level 1: Quoted prices in active markets for identical assets or liabilities (applied without changes)
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)

The derivative financial instruments recognized in the consolidated statement of financial position are measured on the basis of the Level 2 and Level 3 information and inputs described above. The fair value at which derivative financial instruments are measured is a Level 3 fair value. Such financial instruments are embedded derivatives that have been separated from the bonds.

Measurement is performed by way of an option price model recognized for this type of transaction, in the form of a binomial model. There was no change of measurement method in the reporting period. Model inputs include the relevant contractual terms such as the term, interest rate, relevant exit fees where applicable, the notional volume, etc. Observable volatilities, which are therefore assigned to Level 2 as described above, are considered as well. In addition, the measurement includes an anticipated refinancing rate that is assignable to Level 3 because it was derived from a peer group comparison.

Because the Group's equity investments are not exchange-listed and the latest available information is not sufficient for determining the fair value, the Group's equity investments are measured alternatively at acquisition cost.

There were no transfers between the levels in the reporting period.

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

in € thousand	Derivative financial instruments
Balance at 01.01.2017	**1,455**
Gains/losses recognized in interest income/ interest expenses	94
Additions	2,812
Balance at 31.12.2017	**4,361**
Losses recognized in interest expenses	-2,917
Additions	2,627
Balance at 31.12.2018	**4,071**

Any change considered necessary in one of the principal, non-observable input factors, while retaining the other input factors, would have the following effects on the fair values of derivative financial instruments.

Derivative financial instruments

	Profit or loss	
in € thousand	Increase	Decrease
31.12.2018		
Anticipated fair market refinancing rate (1% change)	-853	1,095
31.12.2017		
Anticipated fair market refinancing rate (1% change)	-762	1,004

3.4 NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The net results from financial instruments broken down by the valuation categories according to IFRS 9 are presented in the table below:

in € thousand	Mandatorily at FVtPL	FVtOCI equity instruments	Financial assets – AmC	Other financial liabilities – AmC	Total
					2018
Interest income	–	–	726	–	**726**
Interest expenses	-2,917	–	–	-29,323	**-32,240**
Impairments (in other operating expenses)	–	–	-68	–	**-68**
Net profit or loss	**-2,917**	**–**	**658**	**-32,323**	**-31,582**

in € thousand	Mandatorily at FVtPL	FVtOCI equity instruments	Financial assets – AmC	Other financial liabilities – AmC	Total
					2017
Interest income	121	–	908	–	**1,029**
Interest expenses	-27	–	–	-7,166	**-7,193**
Impairments (in other operating expenses)	–	–	-40	–	**-40**
Net profit or loss	**94**	**–**	**746**	**-7,044**	**6,204**

3.5 INTEREST RATE RISK

Risks arising from interest rate changes fundamentally exist for the Group in connection with taking out loans to finance the purchase of properties.

A variable interest rate for the future loan obligations was agreed upon in the majority of the loan contracts. Interest hedges have not yet been concluded to date to reduce the risk of interest rate changes.

Given a hypothetical increase or decrease in the market interest rate level by 50 basis points, the following effects on earnings before taxes (EBT) would have resulted, which influence the net financial income in the result.

Result

in € thousand	Basis points	2018	2017
Shift in market interest rate level	+50	-122	-129
	-50	30	0

3.6 DEFAULT RISK MANAGEMENT

Default risk is the risk of a loss for the Group if a contracting party does not fulfil its contractual obligations. The Group only enters into business relationships with creditworthy contracting parties and obtains security when appropriate to mitigate the risks of a loss from the non-fulfillment of obligations. The Group uses available financial information and its own commercial records to assess its customers. The Group's risk exposure is continuously monitored. Particular default risks that normally arise in significant receivables from sales of real estate and equity investments and in brokerage commissions owed by institutional investors are treated separately.

There were no significant default risks at the reporting date. The carrying amount of financial assets recognized in the consolidated financial statements represents the maximum default risk.

TRADE RECEIVABLES

Trade receivables are owed by a large number of customers in different German states. They are usually individuals or business people who have rented or purchased the Group's real estate.

The age structures of trade receivables and other current financial assets without default risk at the reporting date are presented in the table below:

Age structure of trade receivables

in € thousand	31.12.2018	31.12.2017
Receivables not past due	412	260
Receivables past due by up to 30 days	213	483
Receivables past due by up to 90 days	167	385
Receivables past due by up to 180 days	5	36
Receivables past due by up to 360 days	345	161
Receivables past due by more than 360 days	693	0
Total	**1,835**	**1,325**
Gross carrying amount of impaired receivables	-25	-23
Total gross carrying amount	**1,810**	**1,302**

Age structure of other current financial assets

in € thousand	31.12.2018	31.12.2017
Receivables not past due	9,891	155
Receivables past due by up to 30 days	0	0
Receivables past due by up to 90 days	0	0
Receivables past due by up to 180 days	0	0
Receivables past due by up to 360 days	0	0
Receivables past due by more than 360 days	0	0
Total	**9,891**	**155**
Gross carrying amount of impaired receivables	0	0
Total gross carrying amount	**9,891**	**155**

Receivables not past due at the reporting date are mainly owed by customers with good creditworthiness or concerning which the Group does not expect any notable defaults. In the past, there were also no impairments or defaults due to creditworthiness. The majority of receivables past due by over 180 days result from receivables from management services contracts due from undertakings accounted for using the equity method. For this reason there is no default risk. On the other hand, these exist on the basis of ongoing legal proceedings. On the basis of current information, it is to be assumed that these receivable can be collected. In the current financial year, impairment expenses based on individual cases for losses on trade receivables due to lease terminations were recognized in the amount of €68 thousand in the reporting period (PY: €40 thousand). These impairments do not establish creditworthiness, but result from contracts with tenants.

No impairment expenses were recognized in the category of other current financial assets (PY: €0 thousand).

All impairments of receivables are generally included in the income statement under the item of other operating expenses.

No impairments were reported in the segment report.

The closing balance of impairments of trade receivables at December 31, 2018 is reconciled with the opening balance of impairments in the table below:

Acquisition costs

in € thousand	**Trade receivables 2018**	Trade receivables 2017
01.01.	**23**	**0**
Increase in the impairment for credit losses recognized in profit or loss in the financial year	25	23
Amounts written off as uncollectable in the financial year	–	–
Unutilized, reversed amounts	-23	–
31.12.	**25**	**23**

After an appropriate determination is made, trade receivables are derecognized when they are no longer recoverable. This is the case (for example) when the debtor fails to commit itself to a repayment plan with the group or when payments are in default for a period of longer than 120 days.

LOANS

Loan receivables are particularly owed by the project development companies accounted for by the equity method.

The significant influence exerted over these companies enables the Group to monitor any changes in credit risk.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents are deposited in banks and financial institutions.

The estimated value adjustment of cash and cash equivalents was calculated on the basis of expected losses within 12 months and reflects the short terms to maturity. The Group assumes that its cash and cash equivalents have a low risk of default due to the external ratings of the banks and financial institutions.

3.7 LIQUIDITY RISK

The responsibility for liquidity risk management lies with the Management Board, which has developed an appropriate concept for meeting short-term, medium-term and long-term financing and liquidity requirements. The Group manages liquidity risks by maintaining appropriate reserves and credit facilities with banks and by continuously monitoring projected and actual cash flows and harmonizing the maturity profiles of financial assets and liabilities.

The following table shows the contractual terms to maturity of the Group's liabilities that fall within the scope of IFRS 7. The table is based on undiscounted cash flows, according to the earliest date at which the Group can be obligated to settle the liabilities. The table includes both interest and principal payments. The contractual cash flows of financial liabilities include the effects of embedded derivatives separated for accounting purposes.

					2018
	Contractual cash flows				
in € thousand	**Within 12 months**	**Within 12 to 24 months**	**Within 24 to 60 months**	**After more than 60 months**	**Total**
Financial liabilities	-206,102	-80,449	-287,827	-90,766	**-665,144**
Trade payables	-10,587	–	–	–	**-10,587**
Other financial liabilities	-3,137	–	–	–	**-3,137**
Total	**-219,826**	**-80,449**	**-287,827**	**-90,766**	**-678,868**

					2017
	Contractual cash flows				
in € thousand	Within 12 months	Within 12 to 24 months	Within 24 to 60 months	After more than 60 months	Total
Financial liabilities	-78,344	-49,921	-74,785	–	**-203,050**
Trade payables	-2,421	–	–	–	**-2,421**
Other financial liabilities	-805	–	–	–	**-805**
Total	**-81,579**	**-49,930**	**-75,147**	**–**	**-206,655**

The interest payments for variable-interest loans presented in the table reflect the market conditions for forward interest rates at the end of the financial year. These could change when market interest rates change. It is not expected that a cash flow included in the maturity analysis could occur considerably earlier or that a significant different amount could result.

2017
Contractual cash flows
in € thousand | Within 12 months | Within 12 to 24 months | Within 24 to 60 months | After more than 60 months | Total

The Group expects that it will be able to pay its liabilities from its own operating cash flow, available financial assets and the funds made available by affiliated companies.

3.8 FINANCING RISK

GATEWAY relies on the granting of bank loans, bonds, or loans from affiliated companies to finance acquisitions of companies and properties as well as its ongoing operations.

Particularly within the scope of real estate financing, it is also necessary to renew or refinance expiring loans, some of which are granted only on a short-term basis and must be regularly renewed. In all cases, there is a risk that a renewal is not possible or not at the same or different terms.

The market risk for the bank loans is relatively low since the existing loans are for the most part at a variable interest rate or short-term. Unutilized credit facilities in the amount of €183,243 thousand were available at the reporting date (PY: €155,077 thousand).

The goal of the financial management system is to ensure that GATEWAY generates the necessary financial resources to finance operational growth and the investments required for this purpose from its own business activities. Until this goal is achieved and implemented, affiliated companies support GATEWAY by providing sufficient financial resources.

3.9 ASSETS TRANSFERRED AS SECURITY

The carrying amounts of assets transferred as security for short-term and long-term borrowings are presented in the table below:

in €	2018	2017
Short-term		
Investment properties held for sale	14,654.00	–
Inventories	289,829.79	178,361.00
Total amount of current assets transferred as security	304,483.79	178,361.00
Long-term		
Land and buildings	–	–
Investment properties	136,339.00	–
Total amount of long-term assets transferred as security	136,339.00	–
Total amount of assets transferred as security	**440,822.79**	**178,361.00**

4 ESTIMATES, DISCRETIONARY DECISIONS AND ASSUMPTIONS APPLIED FOR ACCOUNTING PURPOSES

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

— With respect to the properties held by the group, the Management Board must decide at every reporting date whether they should be held on a long-term basis for rental or appreciation purposes 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 long-term assets intended for sale, in accordance with the principles for income properties, and measured at (amortized) cost or fair value, depending on the classification. We refer to Notes 6.3 and 6.5.
— The market values of income 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 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 income properties, are estimated by GATEWAY in collaboration with the appraiser. The fair values of income properties at the reporting date totaled €238,197 thousand (PY: €0 thousand). We refer to Note 6.3.

- Estimates must be made for the recognition of current and deferred taxes. There are uncertainties related to the interpretation of tax regulations, including for example with respect to the treatment of tax loss carry-forwards when ownership changes during a financial year. Therefore, differences between the actual results and our assumptions or future changes in our estimates can lead to changes in the tax results in future periods. 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. We refer to Note 6.12.
- 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. At the reporting date, other provisions amounted to €3,619 thousand (PY: €2,596 thousand) and related, for example, to ongoing litigation risks. The valuation 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 6.9.
- There is scope for discretion in determining the time and amount of revenue recognition in accordance with the principles of IFRS 15. If a binding sales contract already exists for a property under development, revenue recognition based on a time period in accordance with the estimated stage of completion can also be considered in addition to revenue recognition based on a specific point in time. This applies accordingly to revenue recognition for undertakings included in the financial statements using the equity method. We refer to Notes 6.4 and 6.13.
- The fair value of derivative financial instruments is estimated on the basis of an option price model recognized for this type of transaction, in the form of a binomial model. We refer to Note 2.13

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 adjusted EBIT. Adjusted EBIT is understood 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 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. This portfolio comprises properties acquired prior to the acquisition of Development Partner AG in October 2018. The segment revenues consist primarily of rental income from the income properties.
- **Commercial Development:** The development activities for commercial properties are summarized in the Commercial Properties segment. The objective of this segment is to develop attractive and high-quality office buildings with modern architecture and flexible usage formats. Geographically, these activities are concentrated on the top 7 cities in Germany (i.e. Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart) and selected metropolitan areas such as Nuremberg.
- **Residential Development:** In the Residential 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. Joint ventures with local project developers and general contractors are regularly established in this segment. In future, however, the Group wants to develop the majority of its assets on its own. Although the size of the segment does not require any separate reporting, it has been included because it is considered a potential growth segment, which will make considerable contributions to the Group's revenues in future.

The segment information is determined on the basis of the accounting and valuation methods used in the consolidated financial statements. Receivables, liabilities, revenues and expenses resulting from intersegmental transactions are eliminated in the column "consolidation". The key effect in this column results from the sale of Development Partner Residential by Development Partner AG (Commercial Properties segment) to Gateway AG (Standing Assets segment).

Approximately 75% of revenues with third parties (external revenues) originate from rent revenues from income properties (Standing Assets segment) and rent revenues from inventory properties (commercial properties development segment). The change in value of income properties results exclusively from the Standing Assets segment because only inventory properties are held in the other two segments.

The profit and loss shares in undertakings, which are accounted for based on the equity method, are classified in the relevant segment in accordance with their business activity.

Interest income and interest expenses are allocated according to the associated liabilities or assets. The operating profit according to 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. Investments accounted for using the equity method are reported separately here. Segment investments (additions to long term assets) shows all investments in long term assets.

The segment report tables are presented in an appendix to the notes.

6 ADDITIONAL NOTES TO THE ITEMS OF THE FINANCIAL STATEMENTS

6.1 INTANGIBLE ASSETS

Intangible assets showed the following development in the last two financial years:

Acquisition costs

in € thousand	Goodwill	Other intangible assets	Total
Balance at 01.01.2017		**9**	**9**
Additions			
Disposals			
Balance at 31.12.2017		**9**	**9**
Additions	39,881	21	39,902
Disposals			
Balance at 31.12.2018	**39,881**	**30**	**39,911**

Amortization

in € thousand	Goodwill	Other intangible assets	Total
Balance at 01.01.2017		**8**	**8**
Additions		1	1
Disposals			
Balance at 31.12.2017		**9**	**9**
Additions		2	2
Disposals			
Balance at 31.12.2018		**11**	**11**

Carrying amounts

in € thousand	Goodwill	Other intangible assets	Total
Balance at 01.01.2017		**1**	**1**
Balance at 31.12.2017		**0**	**0**
Balance at 31.12.2018	**39,881**	**19**	**39,900**

The goodwill resulted from the reverse acquisition business combination. The Company acquisition accounts for €15 thousand of the total additions to intangible assets. Please refer to Note 2.5 for details on this subject.

6.2 PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment is presented in the table below:

Acquisition costs

in € thousand	Operating facilities	Land	Buildings on owned land	Operational and office equipment	Total
Balance at 01.01.2017	**0**	**0**	**0**	**551**	**551**
Additions	0	0	0	20	20
Disposals	0	0	0	3	3
Balance at 31.12.2017	**0**	**0**	**0**	**568**	**568**
Additions	53	0	0	288	341
Disposals	0	0	0	21	21
Balance at 31.12.2018	**53**	**0**	**0**	**835**	**888**

Depreciation and impairments

in € thousand	Operating facilities	Land	Buildings on owned land	Operational and office equipment	Total
Balance at 01.01.2017	**0**	**0**	**0**	**252**	**252**
Additions	0	0	0	57	57
Disposals	0	0	0	3	3
Balance at 31.12.2017	**0**	**0**	**0**	**306**	**306**
Additions	4	0	0	126	130
Disposals	0	0	0	17	17
Balance at 31.12.2018	**4**	**0**	**0**	**415**	**419**

Carrying amounts

in € thousand	Operating facilities	Land	Buildings on owned land	Operational and office equipment	Total
Balance at 01.01.2017	**0**	**0**	**0**	**299**	**299**
Balance at 31.12.2017	**0**	**0**	**0**	**262**	**262**
Balance at 31.12.2018	**49**	**0**	**0**	**420**	**469**

The reverse company acquisition accounts for all of the additions to property, plant and equipment in 2018.

6.3 INVESTMENT PROPERTIES (INCOME PROPERTIES) AND NON-CURRENT ASSETS HELD FOR SALE

The item income properties results from GATEWAY's takeover as part of the reverse acquisition, so that the development of this item after the GATEWAY's takeover as of October 1, 2018 is reported. To date, Development Partner has not recognized any income properties or non-current assets held for sale.

All information presented here pertains to the Standing Assets segment. There were no intersegment transactions.

Measurement gains of €9,900 thousand were recognized in the "Result from the fair value adjustment of income properties" of the statement of comprehensive income. Together with the properties presented in accordance with IFRS 5, properties with a fair value determined in accordance with Level 3 amounted to €10,184 thousand.

The development of income properties and non-current assets held for sale is presented in the table below.

Investment properties

in € thousand	Total	IAS 40	IFRS 5
Balance at 01.10.2018	**220,310**	**216,420**	**3,890**
Addition from acquisitions	123,420	123,420	0
Reclassification	0	-30,820	30,820
Subsequent acquisition costs	7,457	6,293	1,164
Disposals	-87,300	-87,300	0
Changes in market value	9,900	10,184	-284
Balance at 31.12.2018	**273,787**	**238,197**	**35,590**
Thereof fair value Level 3	260,357	238,197	22,160
Thereof fair value Level 2	13,430	0	13,430

Of the income properties, properties with a total carrying amount of €242,600 thousand were secured by mortgages at the reporting date.

The disposals relate to the property of Gateway Verwaltungsgesellschaft mbH. The company was sold in the fourth quarter of 2018. The properties were therefore disposed of by way of deconsolidation.

The assets being held for sale consist exclusively of properties from the Standing Assets segment, that were previously allocated to the item Income Properties. Binding sales contracts exist at the reporting date for the properties of Gateway Elfte GmbH and Gateway Sechste GmbH. Accordingly, the properties will be sold for at total of €13,430 thousand. The fair value corresponds to the sale prices. Purchase within 12 months is assumed for the properties of Gateway Vierte GmbH and Gateway Fünfte GmbH. These properties are already being actively marketed, which is very promising due to the specific market situation for these properties. A fair value of €22,160 thousand resulted for these two properties at the reporting date. The valuation of the properties being held for sale resulted a fair value adjustment recognized in income of €-284 thousand in the reporting period.

The following significant amounts for properties specified above are presented in the income statement:

in € thousand	Q4 2018
Rental revenues	4,704
Revenues from operating costs	1,320
Revenues from cost charges to others and building cost subsidies	1,247
Administration costs (operating costs, maintenance, administration, etc.)	-3,040
	4,231
Thereof fair value Level 3	4,419
Thereof fair value Level 2	-188

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

In accordance with International Valuation Standards, the fair values of income properties are determined on the basis of the discounted cash flow procedure. Expected future rental surpluses from a property are discounted to present value at the valuation date by application of a market-appropriate, property-specific discount rate. Whereas net rents are usually applied in determining the rental revenues, operating expenses are incurred particularly from the management costs, which the owner is obligated to pay.

The table below shows the fair values of income properties and the income properties held for sale for which no purchase agreement was on hand at the reporting date, as well as the principal assumptions applied for purposes of the above-mentioned valuation technique:

						2018
	Total	**Office**	**Mixed**	**Retail**	**Hotel**	**Retirement home**
Rented space in sqm	168,139	49,486	35,106	49,273	31,136	3,138
Vacant space in sqm	54,366	13,568	310	12,092	28,396	0
Initial vacancy rate in % (based on total area)	32.3	27.4	0.9	24.5	91.2	0
Achievable net basic rent (market rent) p.a. in € thousand	16,453	5,091	3,236	6,456	1,205	465
Achievable net basic rent (market rent) per sqm in €	*8.15*	*8.57*	*7.68*	*10.92*	*6.19*	*12.35*
Actually achieved net basic rent (contract rent) p.a. in € thousand	14,698	4,492	3,703	5,653	317	532
Actually achieved net basic rent (contract rent) per sqm in €	*10.77*	*10.42*	*8.87*	*12.67*	*9.64*	*14.13*
Market value in € thousand	260,357	71,307	54,200	98,490	27,850	8,510
Market value per sqm in €	*1,548*	*1,441*	*1,544*	*1,999*	*894*	*2,712*
Multiplier on market rent (Market value: achievable contractual net basic rent)	15.8	14.0	16.7	15.3	12.2	18.3
Multiplier on contract rent (Market value: contractual net basic rent)	17.7	15.9	14.6	17.4	n/a[1]	16.0
Valuation parameters:	6.5 – 8.50	7.57	7.50	7.38	7.50	7.52
Average maintenance expenses p.a. in €/sqm	1.0 – 3.0	2.87	2.00	2.38	1.50	1.00
Administrative expenses (as % of achievable rent)	1.0 – 3.0	1.07	1.00	2.25	1.00	1.00
Vacancy costs p.a. in €/sqm	24.0 – 30.0	30.00	30.00	28.50	30.00	30.00
Discount rate in %	3.00 – 7.35	3.00 – 7.35	3.50 – 4.25	4.25 – 5.00	3.75 – 6.00	4.50
Multiplier in case of resale (year 10)	14.3 – 25.0	18.97	19.10	18.05	18.20	16.70
Incidental acquisition costs upon resale in %	4.50 – 7.5	6.93	5.75	6.38	6.00	4.50

[1] Multiplier not indicative because of high vacancy rate

The determination of the fair value was generally done based on Level 3 input factors (cf. 3.3. on page 36), i.e., factors not based on observable market data (non-observable input factors). For properties that are held for sale and for which a binding purchase agreement is already on hand at the reporting date, the sale prices are applied. In such cases, the fair value is calculated on the basis of Level 2 input factors that can be observed for the asset directly (i.e. as the price).

The discounted cash flow procedure is a multi-period model. Future increases in revenue and costs are explicitly represented in the ten-year detailed planning period. Deviations between the rental revenues actually earned (contract rent) and the estimated sustainably achievable rental revenues (market rent) as well as the change in the vacancy rate were determined by taking the rental location and the special features of the individual property into account. Costs for new rentals (tenant build-outs, rental commissions, and costs for rent-free periods) were taken into account using historical data. In addition, all costs to be paid by the owner were deducted (maintenance and management costs, vacancy costs, etc.).

The net income for the detailed planning period determined in this way (the assumed rental period) was measured at the valuation date, which is identical with the reporting date. Following the detailed planning period, a resale value was determined based on a multiplier related to the sustainably achievable annual net income. Estimated costs of sale were deducted from the calculated gross resale value, and the resulting net realizable value was discounted to the valuation date. The present value of the net income of the detailed planning period plus the present value of the net realizable value equals the market value of the individual property. The assumptions applied in determining the value of properties are made by the independent appraiser on the basis of his professional experience and are subject to uncertainty.

The following overview shows the distribution of the fair values by property class:

in € million	**2018**
Office	71.3
Mixed	54.2
Retail	98.5
Hotel	27.9
Retirement home	8.5
Total	**260.4**

As part of the sensitivity analysis, key non-observable input factors were varied. This was done for the discount rate and the market rent. This had the following impact on the fair values for the determined property classes.

				2018
	Discount rate		**Market rent**	
Classes (in € million)	**-0.25%**	**0.25%**	**5.00%**	**-5.00%**
Office	1.6	-1.4	3.9	-3.8
Mixed	1.2	-1.0	2.8	-2.6
Retail	2.0	-2.1	4.6	-4.7
Hotel	0.5	-0.4	0.7	-0.7
Retirement home	0.2	-0.2	0.3	-0.3
Total	**5.5**	**-5.1**	**12.2**	**-12.0**

6.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Please refer to Note 2.12 for information on the accounting methods.

in € thousand	Note	**31.12.2018**	31.12.2017
Share in joint ventures		22,881	4,130
Share in associated companies		12,787	0
Balance at 31.12.		**35,668**	**4,130**

The business object of Projektentwicklung **Venloer Straße** in Köln S.á r.l. is to develop an office building with a gross floor space of approx. 15,200 sqm in Cologne. The company has been classified as an associated company due to the 20% co-determination rights associated with the investment. Moreover, Development Partner has entered into a management services agreement with the company related to the execution of project development. The construction project is financed in part by means of subordinated shareholder loans. In addition, Development Partner has also provided a cost overrun and interest guarantee to the external lenders. Because the shareholder loan of Projektentwicklung Venloer Straße in Köln Beteiligungsgesellschaft mbH is to be regarded as part of the net investment, proportional losses of €634 thousand were recognized in respect of the loan at December 31, 2017. The property was sold by contract dated December 20, 2018. The transfer of benefits and obligations is planned for 2019. In accordance with the principles of IFRS 15 for revenue recognition over a period of time, proportional revenues and profits were recognized on the basis of a degree of completion estimated with reference to construction costs. The articles of association include a scaled profit distribution agreement between the shareholders, including an increase in the profit share of Development Partner from 20% to up to 50%, depending on the achievement of defined return targets of the co-shareholder. This leads to a profit share after taxes of €13.4 million attributable to Development Partner.

Despite the 60% equity interest, Projektentwicklung **Abraham-Lincoln-Straße** in Wiesbaden KG is classified as a joint venture because the articles of association basically require a 75% majority vote for the adoption of resolutions in the annual shareholders' meeting. The articles of association include a scaled profit distribution agreement that also entails separate advance interest on capital reserves. The company holds a 66.7% interest in Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden GmbH, the business object of which is to develop a property with a gross floor space of approx. 14,100 sqm in Wiesbaden. This investment was pre-consolidated on the basis of the equity method for purposes of financial information presentation because the company's articles of association basically require a unanimous vote for shareholder resolutions. Development Partner has entered into a management services contract with the company with respect to the implementation of the project development. At the reporting date, the project company had semi-finished services of €42.1 million (PY: €22.7 million), which are mainly financed by bank loans. Development Partner has also provided a cost overrun and interest guarantee to the external lenders.

Despite an equity interest of 75%, Projektentwicklung am **Barmbeker Bahnhof** in Hamburg Beteiligungsgesellschaft KG is classified as a joint venture because the articles of association basically require a unanimous vote for adopting resolutions in the annual shareholders' meeting. The articles of association include a scaled profit distribution agreement that also entails separate advance interest on capital reserves. As a holding company, the company holds a 40% interest in Projektentwicklung am Barmbeker Bahnhof in Hamburg GmbH, the business object of which is to develop a property with a gross floor space of approx. 24,300 sqm in Hamburg. This investment was pre-consolidated on the basis of the equity method for purposes of financial information presentation. Development Partner has entered into a management services contract with the company with respect to the implementation of the project development. At the reporting date, the project company had semi-finished services of €46.2 million (PY: €29.7 million), which are financed by loans. Development Partner has also provided a cost overrun and interest guarantee to the external lenders in accordance with its ownership interest.

The business object of Immobiliengesellschaft **Hutfiltern** in Braunschweig GmbH is to develop a property with a gross floor space of approx. 5,900 sqm in Braunschweig. Despite an equity interest of 60%, the company was classified as a joint venture because all shareholder resolutions require a 75% majority or unanimous vote. In addition, the annual shareholders' meeting has issued internal rules of procedure for the management that require far-reaching consent requirements on the part of the annual shareholders' meeting. Development Partner has entered into a management services contract with the company with respect to the implementation of the project development. The articles of association include a scaled profit distribution agreement that also entails separate advance interest on capital reserves. Development Partner is liable to the lenders for redemption payments in the inventory and administration phase if the payments cannot be made by the company.

The business object of Projektentwicklung **Weender Straße** in Göttingen KG is to develop a property in Göttingen. The company was classified as a joint venture because the articles of association require a unanimous vote for all resolutions. In addition, the annual shareholders' meeting has issued internal rules of procedure for the management that require far-reaching consent requirements on the part of the annual shareholders' meeting. Development Partner has entered into a management services contract with the company with respect to the implementation of the project development. The articles of association include a scaled profit distribution agreement that particularly entails advance interest on capital accounts. Development Partner has also provided a cost overrun and interest guarantee to the external lenders.

Berlin Marienfelde Südmeile Objekt GmbH is the owner of the Südmeile shopping center in Berlin with rentable space of approx. 9,838 sqm.

LE Quartier 1 GmbH & Co. KG is included in the company's consolidated financial statements as of July 1, 2018. Please refer to Note 6.22 for details about the acquisition. The investment in the company and its subsidiaries is classified as a joint venture because the articles of association basically require a unanimous vote for the adoption of shareholder resolutions. The company has extensive property holdings in the project development phase and a large number of sub-investments with other project developmwent companies. The presented financial information has been prepared ona sub-group basis. The company's primary revenues and profit contributions result from sales agreements for properties for which revenues were recognized over time on the basis of the degree of completion estimated with reference to construction costs in accordance with IFRS 15.

The financial information of significant joint ventures and associated companies is summarized in the table below. The table also presents a reconciliation of the summarized financial information with the corresponding carrying amounts of the Group's share of equity.

in € thousand	Projektentwicklung Venloer Straße in Köln S.à r.l.	Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden KG
Type of relationship	Associated company	Joint venture
Head office	Luxembourg	Wiesbaden
Share of equity held by the company	20.00%	60.00%
Accounted for by the equity method	Yes	Yes
Type of activity	Project development	Project development investment company
Dividends received	0	0
Non-current assets	0	3,493
Current assets	92,522	3
thereof cash and cash equivalents	7	3
Non-current liabilities	60,804	4,987
thereof financial liabilities	55,680	4,987
Current liabilities	4,520	26
thereof financial liabilities		
Net assets (100%)	**27,198**	**-1,517**
Group's share of net assets	**5,440**	**-910**
Disproportionate funding of capital reserves		
Difference		
Impairment reversal of losses included as part of net investment	634	
Incongruent distribution of results	6,686	0
Unrecognized loss shares		910
Carrying amount of equity held in the company	**12,760**	**0**
Revenues	92,315	
Total comprehensive income	27,962	326
Depreciation		
Interest income		
Interest expenses	-1,708	0
Income tax expenses or income	-4,655	0

					31.12.2018
	Projektentwicklung Am Barmbeker Bahnhof in Hamburg Beteiligungs-gesellschaft KG	**Immobiliengesellschaft Hutfiltern in Braunschweig GmbH**	**Projektentwicklung Weender Straße in Göttingen KG**	**Berlin Marienfelde Südmeile Objekt GmbH**	**LE Quartier 1 GmbH & Co. KG**
	Joint venture	Joint venture	Joint venture	Associated company	Joint venture
	Hamburg	Braunschweig	Göttingen	Berlin	Leipzig
	75.00%	60.00%	20.50%	50.00%	46.00%
	Yes	Yes	Yes	Yes	Yes
	Project development investment company	Project development	Project development	Standing asset	Project development and holding company
	0				
	7,253			31,000	
	1	29,397	9,789	1,164	171,197
	1	299	427	979	2,629
	7,155	19,759	9,207		94,587
	7,155	19,759	9,207		94,587
	229	747	819	28,834	67,515
			533	27,130	5,397
	-130	**8,891**	**-237**	**3,330**	**9,095**
	-98	**5,335**	**-49**	**1,665**	**4,184**
		-1,763			
					12,977
	156	264	-179		
			228		
	58	**3,836**	**0**	**1,665**	**17,161**
		586	8	725	41,475
	371	-444	-325	842	6,173
				-376	-23
	791				5
	-159	-591	-236	-439	-6,534
	-118				-201

in € thousand	Projektentwicklung Venloer Straße in Köln S.à r.l.	Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden KG
Type of relationship	Associated company	Joint venture
Head office	Luxembourg	Wiesbaden
Share of equity held by the company	20.00%	60.00%
Accounted for by the equity method	Yes	Yes
Type of activity	Project development	Project development investment company
Dividends received		
Non-current assets		3,163
Current assets	38,569	4
thereof cash and cash equivalents	5	4
Non-current liabilities	39,239	5,012
thereof financial liabilities	39,239	5,012
Current liabilities	2,502	23
thereof financial liabilities		
Net assets (100%)	**-3,172**	**-1,868**
Group's share of net assets	**-634**	**-1,121**
Disproportionate funding of capital reserves		
Losses included as part of net investment	-634	
Incongruent distribution of results		
Unrecognized loss shares		1,121
Carrying amount of equity held in the company	**0**	**0**
Revenues	233	
Total comprehensive income	-1,971	-390
Depreciation		
Interest income		
Interest expenses	-1,253	
Income tax expenses or income		

		31.12.2017
Projektentwicklung Am Barmbeker Bahnhof in Hamburg Beteiligungs-gesellschaft KG	Immobiliengesellschaft Hutfiltern in Braunschweig GmbH	Projektentwicklung Weender Straße in Göttingen KG
Joint venture	Joint venture	Joint venture
Hamburg	Braunschweig	Göttingen
75.00%	60.00%	20.50%
Yes	Yes	Yes
Project development investment company	Project development	Project development
6,428	0	0
1	29,411	8,578
1	3,515	12
6,329	19,756	8,063
6,329	19,756	8,063
175	319	778
		9
-75	**9,335**	**-263**
-56	**5,601**	**-54**
	-2,030	
114	466	-107
0	0	161
58	**4,037**	**0**
	1,638	63
381	525	-339
728		
-141	-506	-169
-107		

The Group also holds shares in a number of joint ventures and associated companies that are deemed to be immaterial in themselves. The carrying amounts and the Group's share of the profit of these companies are presented in the table below.

in € thousand	Note	31.12.2018	31.12.2017
Carrying amount of the financial investments accounted for using the equity method		188	35
Share of profit		35	0

The Group did not recognize accumulated losses of €1,138 thousand (PY: €1,282 thousand) in relation to its shares in joint ventures because it bears no obligations for these losses.

There were no material contigent liabitilies or financial obligations to companies accounted for using the equity method at the reporting date.

6.5 INVENTORIES

The Group's inventories at the reporting date consisted of the capitalized building costs of inventory properties, which are measured at the lower of amortized cost or net realizable value in accordance with IAS 2. The total carrying amount of all inventory properties at the reporting date of December 31, 2018 was €342,736 thousand (PY: €178,975 thousand). Due to its focus on developing properties and the related sale of multiple inventory properties, the Group has further expanded its inventories. The inventory properties mainly consist of Immobilienbeteiligungsgesellschaft am Kennedydamm mbH (€68,678 thousand), PE Breite Gasse (€81,809 thousand), and PE Michaelkirchstraße GmbH (€41,189 thousand).

The development of inventories over the last three reporting dates is presented in the table below:

in € thousand	31.12.2018	31.12.2017	01.01.2017
GTY 1te Bochum GmbH & Co. KG	4,068	–	
Imm.bet.ges. Kennedydamm mbH	68,678	69	–
Immobiliengesellschaft Kennedydamm KG		60,744	–
PE Breite Gasse GmbH	81,809	72,224	–
PE Rudolfplatz GmbH	30,819	25,620	8,203
PE Brotstraße GmbH	4,078	4,016	3,875
PE Uerdinger Str. Office GmbH	15,283	13,542	11,575
PE Uerdinger Str. Residential GmbH	2,427	2,145	1,807
PE Michaelkirchstr. GmbH	41,189	–	–
PE Michaelkirchstr. Bet.ges. mbH	4,754	614	–
Single Apartment erste Bet.ges.	2,377	–	–
Single Apartment zweite Bet.ges.	1,606	–	–
MUC Airport Living GmbH	12,367	–	–
Gew.park Neufahrn GmbH	17,732	–	–
Bet.ges. Berlin-Heinersdorf 18 GmbH	30,238	–	–
Movingstairs GmbH	6,884	–	–
PE Taunusstr. 52-60 GmbH	18,428	–	–
Total	**342,736**	**178,975**	**25,460**

6.6 TRADE RECEIVABLES AND OTHER ASSETS

The trade receivables of €1,810 thousand (PY: €1,302 thousand) resulted primarily from receivables under management services contracts due from companies accounted for using the equity method, ongoing litigation (one lawsuit) and current rent receivables. Separate value adjustment accounts are not kept at the present time.

The other current assets mainly comprised the following items:

in € thousand	31.12.2018	31.12.2017
Other financial assets:	21,310	8,150
Other receivables – at amortized cost	9,174	155
Loans – at amortized cost	7,550	3,256
Equity investments – measured at FVtOCI	433	378
Embedded derivatives – measured at FVtPL	4,071	4,361
Security deposits for leased office space – at amortized cost	82	0
Other – at amortized cost	–	
	21,310	**8,150**
thereof non-current	9,570	7,987
thereof current	11,740	163
Other non-financial assets:		
Prepaid expenses	2,281	978
Value-added tax credits	1,247	209
	3,528	**1,187**
thereof non-current	–	–
thereof current	3,528	1,187

6.7 CASH AND CASH EQUIVALENTS

The cash and cash equivalents consisted for the most part of overnight bank deposits.

6.8 EQUITY

Please refer to the Statement of Changes in Equity for a presentation of the development of equity.

In the case of a reverse acquisition, the presentation of the equity structure is to be based on the legal acquirer, according to IFR3 3.B21. The same applies to the presentation of comparison values. Therefore, the following information refers to the capital structure of GATEWAY as the legal acquirer. The share capital at December 31, 2017 amounts to €21,175,000.00 and is divided into 21,175,000 no-par bearer shares. The share capital is fully paid up.

On July 9, 2018, GATEWAY entered into an agreement with SN Beteiligungen Holding AG, Zug/Switzerland, for the contribution of 100% of the shares in Development Partner AG, including its subsidiaries, in exchange for the issuance of 148,610,491 shares. The annual shareholders' meeting of GATEWAY approved the capital increase on August 22, 2018. The capital increase was registered in the Commercial Register on October 5, 2018. As a result of this transaction, the share capital of GATEWAY increased by €148,610,491, from €21,175,000 to €169,785,491. Please refer to Note 2.2 for further details. At the reporting date, there are no outstanding contributions to the subscribed capital.

The Management Board was authorized at the special shareholders' meeting of March 3, 2016 to increase the Company's share capital, with the consent of the Supervisory Board, by up to a total of €10,587,500.00 by issuing up to 10,587,500 new bearer shares in exchange for cash and/or in-kind capital contributions on one or more occasions in the time until March 2, 2021 (Authorized Capital 2016/I). The Management Board has not yet made any use of this authority. The previous authorized capital adopted by resolution of the annual shareholders' meeting of August 22, 2018 was rescinded and replaced with a new authorization adapted to the future increased share capital. Accordingly, an authorized capital amount equal to 50% of the now increased share capital of GATEWAY remains available to the Management Board. The adjusted authorization permits the Management Board to increase the share capital of GATEWAY, with the consent of the Supervisory Board, by a total amount of no more than €84,892,745.00, by issuing up to 84,892,745 new bearer shares of GATEWAY in exchange for cash and/or no-cash capital contributions on one or more occasions in the time until August 21, 2023 (Authorized Capital 2018/I).

One of the purposes of the capital reserve is to include premiums paid on the issue of shares in excess of the nominal amount of the subscribed capital. The capital reserve is negative as at January 1, 2018 because the adjustment of the subscribed capital to that of GATEWAY as the legal acquirer was taken into account as an offsetting item in the capital reserve. The capital reserve initially increases in 2018 as a result of the reverse acquisition in the amount of notional acquisition costs of €97,405 thousand. In addition to the offsetting of issue costs with no effect on income, the adjustment of the subscribed capital of Development Partner to that of GATEWAY in particular resulted in a capital reserve that was significantly negative on balance. The capital reserve presented at the reporting date breaks down as follows:

in € thousand	
Starting balance at 01.01.2018	**-20,601**
Increase by the amount of consideration for the reverse acquisition	97,405
Decrease due to the recognition in equity of the issuance costs for effecting the transaction	-1,440
Decrease due to the adjustment of the subscribed capital of the combined enterprise to the capital of GATEWAY as the legal acquirer	-148,610
Other	20
Closing balance at 31.12.2018	**-73,266**

The accumulated other total comprehensive income/loss comprised the accumulated and not yet utilized consolidated profits/losses of Development Partner as the accounting acquirer in the current financial year and prior years. Since October 5, 2018, GATEWAY's income/loss has been recognized in other total comprehensive income/loss.

GATEWAY did not pay dividends in the past financial year and also does not currently plan to pay dividends for the current financial year.

The increase in non-controlling interests of €2,188 thousand in 2018 is essentially due to the acquisition of 90% of the shares in Berlin Heinersdorf GmbH.

Please refer to Note 6.22 for further information on the additional acquisition of non-controlling interests. The transactions with non-controlling interests had the following impact on the equity of the owners of the parent company:

in € thousand	
Carrying amount of the non-controlling interests acquired	-71
Purchase price paid for non-controlling interest	44
Reduction in equity of the owners of the parent company	**115**

6.9 OTHER PROVISIONS

The other provisions include provisions for personnel costs (employee benefits) and other provisions, such as provisions for ongoing or forthcoming lawsuits and court proceedings. The provisions for personal expenses concern bonuses and severance awards.

in € thousand	31.12.2018	31.12.2017
Current provisions		
Provisions for personnel costs	2,723	1,782
Other provisions	896	814
	3,619	**2,596**
Non-current provisions		
Other provisions > 1 year	639	741
	639	**741**

6.10 FINANCIAL LIABILITIES

The financial liabilities break down as follows:

in € thousand	31.12.2018	31.12.2017	01.01.2017
Current financial liabilities			
Liabilities to banks	45,797	35,821	2
Liabilities to related companies	110,860	23,714	2,333
Liabilities from corporate bonds to related companies (interest)	5,491	4,939	208
Liabilities from corporate bonds to related companies	28,429	–	–
Loans from third parties	1,085	–	3,350
	191,662	**64,474**	**5,893**

in € thousand	31.12.2018	31.12.2017	01.01.2017
Non-current financial liabilities:			
Liabilities to banks	248,340	73,036	15,304
Liabilities to related companies	24,764	–	–
Liabilities from corporate bonds to related companies (interest)	11,371	–	–
Liabilities from corporate bonds to related companies	64,810	39,256	14,963
Liabilities from corporate bonds to third parties	33,810	–	–
Loans from third parties	15,203	2,200	–
Limited partner's share non-controlling interests	151	157	8,582
	398,449	**114,649**	**38,849**
	590,111	**179,123**	**44,742**

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. The current financial liabilities of €191,662 thousand are collateralized in the amount of €71,280 thousand in favor of the lender using land charges on the properties underlying the financing.

The terms of the non-current financial liabilities in the amount of €398,449 thousand are longer than one year. They are collateralized in the amount of €336,748 thousand in favor of the lender using land charges on the properties underlying the financing.

The majority of the loans are at fixed interest rates (loans with a remaining value of €90,553 thousand at December 31, 2018 are subject to a variable interest rate based on the EURIBOR and EONIA). In 2018, the interest rates were between 0.85% and 3.00% for bank loans collateralized with land charges, or 3.00% to 11.00% for loans from third parties, the majority of which are likewise collateralized. With respect to the conditions of the financial liabilities due to related companies see section 6.22.

There were no premiums and interest-free loans at the reporting date. No payment delays or breaches of contract occurred with respect to financial liabilities in the reporting period.

There were no financial liabilities denominated in foreign currencies at the reporting date. There were also no interest rate swaps or other stand-alone derivative financial instruments at the reporting date.

6.11 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables (€10,587 thousand) are mainly related to the purchase or construction as well as the leasing of properties.

At the reporting date, the other current financial liabilities break down as follows:

in € thousand	31.12.2018	31.12.2017
Other current financial liabilities:		
Liabilities to Peires AG and CWI Real Estate AG and their subsidiaries	476	–
Security deposits received	124	–
Liabilities for personnel costs	1,104	50
Debtors with credit balances	88	–
Other	1,345	755
	3,137	**805**

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

in € thousand	31.12.2018	31.12.2017
Other current non-financial liabilities:		
Value added tax	337	183
Payroll tax	137	108
Subsidies received	230	–
Purchase price payment (GTY 1te Bochum)	4,900	–
Liabilities for costs of annual financial statements	427	85
Property transfer tax	8,614	2,342
Other	353	365
	14,998	**3,083**

6.12 DEFERRED TAXES

Deferred tax liabilities of €22,831 thousand (PY: €2,457 thousand) and deferred tax assets of €4,826 thousand (PY: €157 thousand) are presented in the statement of financial position at the reporting date.

DEFERRED TAX ASSETS

Deferred tax assets were recognized in respect of tax loss carry-forwards and deductible temporary differences in the following items of the statement of financial position:

in € thousand	2018	2017
Assets	**0**	**0**
Liabilities		
Non-current financial liabilities	1,002	0
Other provisions	19	14
Tax loss carry-forwards	4,937	1,721
Consolidation	564	0
Sub-total deferred tax assets	**6,522**	**1,735**
Netting with deferred tax liabilities	-1,696	-1,578
Total	**4,826**	**157**

No deferred tax assets were recognized in respect of temporary differences amounting to €5,586 thousand (PY: €20,478 thousand) because it is not probable that a taxable profit against which the deductible temporary differences can be applied will be available in the future.

Corporate income tax loss carry-forwards of €33,510 thousand (PY: €10,363 thousand) and local trade tax loss carryforwards of €25,397 thousand (PY: €8,965 thousand) existed within the group at the reporting date. No deferred tax assets were recognized in respect of corporate income tax loss carry-forwards amounting to €9,038 thousand (PY: €4,449 thousand) and local trade tax loss carry-forwards amounting to €18,581 thousand (PY: €3,862 thousand) because it is not probable that taxable profit against which the as yet unused tax losses can be applied will be available in the future. The loss carry-forwards can be carried forward without restriction, as a general rule.

DEFERRED TAX LIABILITIES

Deferred tax liabilities were recognized in respect of temporary differences in the following items of the statement of financial position:

in € thousand	2018	2017
Assets		
Other non-current financial assets	436	748
Inventories	21,189	2,613
Liabilities		
Other provisions	1	1
Non-current financial liabilities	1,987	672
Financial liabilities	546	0
Consolidation	368	1
Sub-total deferred tax liabilities	**24,525**	**4,035**
Netting with deferred tax assets	-1,696	-1,578
Total	**22,829**	**2,457**

The change in deferred tax liabilities amounting to €20,373 thousand (PY: €2,452 thousand) was recognized in profit or loss.

The change in deferred tax liabilities in respect of inventories resulted mainly from the recognition of deferred tax liabilities at the level of GATEWAY and its subsidiaries, which have been included in the consolidated financial statements since October 5, 2018 as a result of the reverse acquisition.

The temporary differences resulting from undistributed results of subsidiaries for which no deferred taxes were recognized amounted to €1,476 thousand (PY: €18,993 thousand).

6.13 REVENUES

The Group generated revenues of €18,569 thousand in the period from January 1, to December 31, 2018. GATEWAY mainly generated revenues from the rental of inventory properties and income properties and the provision of services. Operating cost settlements and building subsidies received are other income sources. Specifically, revenues break down as follows:

in € thousand	2018	2017
Rental revenues in accordance with IAS 17		
Rental revenues on income properties	4,704	–
Rental revenues sub-letting DP AG	74	82
Rental revenues on inventory properties	8,285	4,048
	13,063	**4,130**
Rental revenues in accordance with IFRS 15		
Revenues from operating costs (flat charges, settlements)	2,543	1,034
Revenues from costs charged to others and building cost subsidies	1,247	–
Revenues from services	1,358	1,773
Other	358	0
thereof period-related	1,358	1,773
thereof related to a specific point in time	4,148	1,034
	5,506	**2,807**
Total	**18,569**	**6,937**

Of the overall revenues, €5,506 thousand fall under the scope of IFRS 15 and €13,063 fall under the scope of IAS 17. With respect to revenues under the scope of IFRS 15, with the exception of revenues from services (management services agreements), revenue is recognized at a certain point in time, unlike the case of associated companies and joint ventures, the revenues of which are mainly recognized over a period of time. The rental revenues on inventory properties and income properties doe not fall under the scope of IFRS 15 and therefore no period-related revenue recognition was carried out, but only revenue recognition in the period in which it accrues. Future rental revenues from operating-leasing contracts that cannot be terminated are as follows:

in € thousand	31.12.2018	31.12.2017
Due within one year	20,272	6,824
Due in one to five years	58,761	12,051
Due after more than five years	11,377	–
	90,410	**18,875**

6.14 CHANGES IN INVENTORY

The change in inventory relates to the capitalized production costs for the inventory properties, which include €23,721 thousand in capitalized interest on borrowed capital. The main changes in inventory resulted from the companies PE Breite Gasse GmbH (€9,327 thousand), MUC Airport Living GmbH (€7,144 thousand), and PE Rudolfplatz GmbH (€5,228 thousand). The specific breakdown of changes in inventory is presented in the table below.

in € thousand	2018	2017
Increase in inventory due to building activity	39,859	92,157
	39,859	**92,157**

The major reduction in changes inventory can be explained by the fact that in the prior year properties relating to the development projects Breite Gasse (€62,900 thousand) and Rudolfplatz (€13,780 thousand) were purchased, see section 6.15. These costs were capitalized via the change in inventory.

6.15 COST OF MATERIALS

The purchased goods and services mainly consist of the production costs of the inventory properties, the acquisition costs for the properties intended for sale, and the administration costs for the rented properties. This item breaks down as follows:

in € thousand	2018	2017
Properties	–	76,680
Purchased services	10,396	1,121
Professional fees/projects	3,513	2,820
Other project costs	1,138	529
Administration costs	3,049	2,432
Other building costs	988	66
	19,084	**83,648**

6.16 PERSONNEL COSTS

Besides the members of the Management Board, the Group had 53 (PY: 31) employees at the end of the reporting period and 39.85 (PY: 28.20) employees on average for the year. The personnel costs break down as follows:

in € thousand	2018	2017
Salaries	5,872	4,840
Employee benefit expenses and pensions	460	341
	6,332	**5,181**

About half of the employer's share of statutory social insurance consists of contributions to the statutory pension insurance system.

6.17 OTHER OPERATING INCOME AND EXPENSES

The other operating income includes the following amounts:

in € thousand	2018	2017
Proceeds from sale of investments accounted for using the equity method	13,725	9,719
Result from the deconsolidation of Gateway Verwaltung	9,034	–
Income from reversal of provisions	369	–
Income from in-kind benefits	4	–
Insurance compensation, indemnity	19	–
Costs charged to others, tax-exempt	11	2
Costs charged to others, 19%	82	178
Other comprehensive income, internal charges N. taxable	1	–
Disposals carrying amounts of investments accounted for using the equity method	–	-597
Income from interim dividends from affiliated companies	–	180
Income from reversal of provisions	128	109
Other in-kind benefits charged	2	–
Other in-kind benefits charged motor vehicle 19%	145	120
Insurance compensation, indemnity	10	–
Reimbursements expense compensation	33	–
General partner compensation	3	2
Other	444	25
	24,010	**9,738**

The €13,725 thousand originate from the sale in the current financial year of the project development KölnCubus Süd GmbH accounted for using the equity method.

The other operating expenses include the following amounts:

in € thousand	2018	2017
Legal and consulting expenses	2,399	789
Advertising, travel and motor vehicle expenses	1,067	732
Accounting, financial statements and auditing expenses	2,210	116
Space costs	643	469
IT, office and communication expenses	150	63
Insurance, premiums and dues	160	69
Selling expenses (1te Bochum)	235	–
Unbillable operating costs from prior years	431	–
Advertising expenses property	284	25
Leasing expenses	371	269
Replacement space for a let property	238	–
Other project development expenses	223	159
Purchased services	361	352
Tenant brokerage commission	62	–
Appraiser expenses	9	82
Supervisory Board compensation	–	60
Continuing education expenses	41	23
Other financing expenses	–	2
EWB Supply	–	23
Disposal losses	2	330
Other income taxes	30	–
Other	990	417
	9,906	**3,980**

6.18 FINANCIAL RESULT

The financial result breaks down as follows:

in € thousand	2018	2017
Interest income	726	1,029
Interest expenses	-32,240	-7,193
Profit and loss from companies accounted for using the equity method	16,296	-110
	-15,218	**-6,274**

The interest expenses predominantly result from borrowing to finance the development projects. €23,721 thousand of these interest expensese wer capitalized. see section 6.14. The profit and loss shares in companies accounted for using the equity method are explained in section 6.4.

6.19 INCOME TAXES

Companies resident in Germany with the legal form of a corporation are subject to corporate income tax of 15%, the solidarity surtax of 5.5% of the standard corporate income tax, and local trade tax, the amount of which depends on locally specific assessment rates. Commercial or predominantly commercial enterprises with the legal form of an unincorporated partnership are only subject to the local trade tax. For purposes of the corporate income tax, the tax result is attributed to the shareholder.

The expected nominal income tax rate for the Group's parent company Gateway Real Estate AG in 2018 is 31.93% (PY: 31.93%) and is calculated as follows:

in %	2018	2017
Corporate income tax	15.0	15.0
Solidarity surcharge	5.5	5.5
Local trade tax rate	16.1	16.1
Tax rate	**31.925**	**31.925**

Income taxes are calculated on the basis of the tax regulations applicable to each company. The income taxes presented in the statement of comprehensive income mainly consist of deferred income taxes:

in € thousand	2018	2017
Current income taxes	4,467	457
Deferred income taxes	3,950	2,299
For temporary differences	4,805	3,945
For tax loss carry-forwards	-1,054	-1,646
From consolidation	199	0
Income taxes	**8,417**	**2,756**

The current income taxes for the 2018 financial year were influenced by tax income from prior years in the amount of €128 thousand. The deferred income tax expenses of €3,950 thousand (PY: €2,299 thousand) are composed of the change in deferred tax assets in respect of loss carry-forwards in the amount of €-1,054 thousand (PY: €-1,646 thousand), the increase in netted deferred tax liabilities in respect of asset differences in the amount of €4,805 thousand (PY: €3,945 thousand), and the increase in deferred tax liabilities in respect of consolidation issues in the amount of €199 thousand (PY: €0 thousand).

A reconciliation of tax expenses/income is presented in the table below:

in € thousand	2018	2017
Profit (loss) before income taxes	41, 665	9,692
Tax rate in %	31,925	31,925
Expected income taxes	13,301	3,094
Tax effects on		
Tax rate differences	-432	-63
Change of permanent differences	-35	-49
Taxes prior years	30	-2
Tax-exempt income and non-tax-deductible expenses	-9,558	-1,412
Local trade tax corrections	853	113
Non-recognition of deferred tax assets in respect of loss carry-forwards	-1,129	872
Non-recognition of deferred tax assets in respect of asset differences	2,715	1
Loss expiration per Section 8c KStG, Section 10a GewStG	2,540	149
Other	132	53
Actual tax expenses (+) or tax income (-)	**8,417**	**2,756**

Based on the actual income taxes, the effective tax rate for the financial year is 20.20% (PY: 27.47%).

6.20 EARNINGS PER SHARE

The basic earnings per share are as follows:

in €	2018	2017
Earnings per share	0.22	0.04

As in the prior year, there were no potentially diluting equity instruments such as stock options at the reporting date. The basic earnings per share is calculated as the quotient of the profit attributable to the shareholders of the parent company and the average number of shares outstanding during the financial year, as follows:

in € thousand	2018	2017
A. Attribution of profit to common shareholders (basic)		
Profit attributable to owners of the parent company	33,235	6,040
Profit attributable to holders of common shares	33,235	6,040

The average number of shares is calculated as follows:

in € thousand	2018	2017
B. Weighted average common shares (basic)		
Common shares outstanding at 01.01.2018	148,610	148,610
Effect of shares issued in connection with a business combination	21,175	
Common shares outstanding at 31.12.2018	169,785	
Weighted average common shares at 31.12.	**153,904**	**148,610**

Due to the reverse acquisition, the special rules of IFRS 3.B.25 – 27 are applicable to the calculation of earnings per share. In the prior year, therefore, the average weighted number of common shares outstanding was equal to the number of outstanding common shares of Development Partner (adapted to the capital structure of GATEWAY, i.e. 21,175,000 shares) as the legally acquired company, multiplied by the exchange ratio of 7:1 specified in the capital contribution agreement. In the reporting period, the average number of common shares outstanding is calculated as the time period-weighted sum of outstanding common shares before and after the business combination (9/12 * 21,175,000 * 7 + 3/12 * 169,785,000).

6.21 CONTINGENT LIABILITIES

As at December 31, 2018, the Group has contingent liabilities with respect to liability relationships, order commitments and rental contracts.

Liability relationships occur in the form of interest guarantees, rent deposit guarantees, cost overrun guarantees, comfort letters, partial releases from liability of co-shareholders and bank guarantees. The liability arising from these cannot be quantified exactly.

The order commitment for investment projects is €10,401 thousand.

Leases for business premises, vehicles and IT equipment result in the following future obligations under operating-leasing contracts that cannot be terminated:

in € thousand	31.12.2018	31.12.2017
Due within one year	819	631
Due in one to five years	117	936
Due after more than five years	–	–
	936	**1,567**

6.22 DEALINGS WITH RELATED COMPANIES AND PERSONS

A. PARENT COMPANY AND HIGHEST-RANKING CONTROLLING PARTY

Development Partner AG was acquired by SN Beteiligungen Holding AG by contract dated July 28, 2017. By contract dated July 9, 2018, SN Beteiligungen Holding AG contributed the shares in Development Partner AG to GATEWAY and received 148,610,491 shares as consideration for this contribution. This corresponds to a majority interest of SN Beteiligungen Holding AG 87.5% in GATEWAY. SN Beteiligungen Holding AG is controlled by Norbert Ketterer. GATEWAY is therefore also controlled by Norbert Ketterer.

B. COMPENSATION OF MEMBERS OF THE MANAGEMENT IN KEY POSITIONS

The compensation of members of the management in key positions comprises:

in € thousand	2018	2017
Short-term benefits	4,530	1,282
Termination benefits	4,000	0
Share-based compensation	-296	0
Other long-term benefits	0	0
	8,234	**1,282**

The compensation for 2017 relates to the Management Board of Development Partner AG. In the reporting period, the stated compensation for the reported period relates to the Management Board of Development Partner AG until October 4, 2018 and to the Management Board of GATEWAY as the legal parent company of the combined group for the period from October 5, 2018 to December 31, 2018. The Supervisory Board received compensation of €0 thousand in the current financial year (PY: €60 thousand).

SEVERANCE AWARDS FOR MANAGEMENT BOARD MEMBERS

The Management Board Chairman Mr. Andreas Segal resigned from the Management Board with a termination agreement dated November 1, 2018. The agreement provides for a severance award in the amount of €3,000 thousand. In particular, the agreement also provides for a waiver of stock options with cash settlement. Mr. Norbert Ketterer arranged via SN Beteiligungen Holding AG for the expenses under the termination agreement to be reimbursed to Gateway AG. It is also reimbursed for the signing bonus of €2,000 thousand agreed as of September 1, 2018. In 2018, Gateway AG will therefore only be charged for the current salary of Mr. Segal in the category of personnel costs.

The Management Board member Mr. Holger Lüth resigned from the Management Board by termination agreement dated November 30, 2018. The agreement provides for a severance award of €1,000 thousand. In particular, the agreement also provides for a waiver of stock options with cash settlement. Mr. Norbert Ketterer arranged via SN Beteiligungen Holding AG for the expenses under the termination agreement to be reimbursed to Gateway AG. In 2018, Gateway AG will therefore only be charged for the current salary of Mr. Lüth in the category of personnel costs.

Due to these cost assumptions, the personnel costs in the income statement are lower than the compensation stated above of the members of the Management Board in key positions.

STOCK OPTION PROGRAM ACCORDING TO IFRS 2.44 ET SEQQ.

As explained above, the two departed members of the Management Board waived their stock options with cash settlements in their respective termination agreements. At the date of acquisition of Development Partner AG (October 5, 2018), the liabilities from GATEWAY stock options described below were in effect; they were charged off and recognized in profit or loss in the fourth quarter by reason of the waiver.

The fair value of the stock appreciation rights was determined in accordance with the Black-Scholes formula. The performance conditions independent of employment and market conditions that are associated with the transactions were not considered in the determination of fair value. The following parameters were applied in the determination of fair values on the grant date and valuation date of the stock appreciation rights.

	Grant date 01.09.2018	Valuation date 05.10.2018
Fair value (in €)	3.00	3.77
Stock price (in €)	4.00	4.77
Exercise price (in €)	1.00	1.00
Expected volatility (in %)	100%	100%
Expected life (in months)	36	35
Risk-free interest rate (in %)	0.5	0.5

The expected volatility was essentially based on an assessment of the historical volatility of the Company's share price, particularly in the period corresponding to the expected life of the stock options. The expected life of the instruments is based on contractual agreements. There were 2,833,334 outstanding options at the reporting date. The recognized expenses/liabilities amounted to €296 thousand. The waiver gave rise to income in the same amount.

C. TRANSFER OF SHARES BY RELATED COMPANIES

Prior to the non-cash capital contribution of Development Partner AG to GATEWAY, Development Partner AG acquired a number of investments that had previously belonged to companies under the control of Norbert Ketterer. Some of these acquisitions were made indirectly through Development Partner Residential GmbH, in which Development Partner AG holds an interest of 100%. IFRS 3 is not applied to the following transactions because the requirements relating to the existence of a business have not been met in each case.

By contract dated June 28, 2018, Development Partner Residential GmbH acquired 50% of the shares in LE Quartier 1.4 GmbH for a purchase price of €12,500. The seller Colossa Projekt GmbH & Co. KG was a company controlled by Norbert Ketterer. The shares are included in the consolidated financial statements on the basis of the equity method. LE Quartier 1.4 GmbH has its registered head office in Leipzig. The share capital amounts to €25,000.00. In addition, the company owns land in the project development phase in Dresden. At Decmeber 31, 2018, the company had a balance sheet total of €6,183 thousand. Down payments for properties and semi-finished services related to project development accounted for the largest share of assets. The financing is provided in the form of loans by LE Quartier 1 KG and one of its subsidiaries.

By contract dated July 3, 2018, Development Partner Residential GmbH acquired 46% of the shares in LE Quartier 1 KG for a purchase price of €11,500 plus a variable purchase price component. The variable purchase price component was valued at €15,729 thousand at the acquisition date. The seller Colossa Projekt GmbH & Co. KG was a company controlled by Norbert Ketterer. The shares are included in the consolidated financial statements on the basis of the equity method. The general partner is LE Quartier 1.6 GmbH, without a capital contribution and without an interest in the capital. The company has extensive land holdings, with most of the properties in the project development phase. Please refer to Note 6.4 for detailed information on the assets and liabilities.

By contract dated July 3, 2018, Development Partner Residential GmbH acquired 50% of the shares in LE Quartier 1.6 GmbH for a purchase price of €12,500. The seller Colossa Projekt GmbH & Co. KG was a company controlled by Norbert Ketterer. The company acts as the general partner of LE Quartier 1 KG. The shares are included in the consolidated financial statements on the basis of the equity method. At December 31, 2018, the company had a balance sheet total of €76 thousand.

By contract dated July 3, 2018, Development Partner Residential GmbH acquired 41% of the shares in LE Quartier 5 Co. KG for a purchase price of €33,250. The seller Colossa Projekt GmbH & Co. KG was a company controlled by Norbert Ketterer. The shares are included in the consolidated financial statements on the basis of the equity method. The general partner is LE Quartier 1.5 GmbH, without a capital contribution and without an interest in the capital. LE Quartier 1.5 GmbH also owns land holdings, with all properties in the project development phase. At December 31, 2018, the company had a balance sheet total of €21,283 thousand. Semi-finished services, an equity investment and shareholder loans accounted for the largest share of assets. The financing is provided in the form of bank loans and a loan from Ketom AG.

By contract dated July 3, 2018, Development Partner Residential GmbH acquired 44% of the shares in LE Quartier 1.5 GmbH for a purchase price of €11,000. The seller Colossa Projekt GmbH & Co. KG was a company controlled by Norbert Ketterer. The company acts as the general partner of LE Quartier 5 KG. The shares are included in the consolidated financial statements on the basis of the equity method. At December 31, 2018, the company had a balance sheet total of €22 thousand.

By contract dated June 25, 2018, Projektentwicklung Taunusstraße 52–60 in Frankfurt GmbH purchased a developed plot of land for a purchase price of €16.5 million. It is measured at acquisition cost. The sellers Colossa Vermögensverwaltung GmbH and Helvetic Private Investments AG were companies under the control of Norbert Ketterer. The purchase object comprises all standing buildings and structures, as well as a prior building permit, for which all rights and obligations will pass to Projektentwicklung Taunusstraße 52–60 in Frankfurt GmbH. In addition, a land charge in the amount of €25 million was taken over by the buyer.

By contract dated July 3, 2018, Development Partner Residential GmbH acquired 100% of the shares in 2. Colossa Projekt GmbH & Co. KG for a purchase price of €1,000. The seller Ketom AG was a company controlled by Norbert Ketterer. The shares are included in the consolidated financial statements on the basis of full consolidation. In addition, 2. Colossa Projekt GmbH & Co. KG and SoHo Sullivan Estate GmbH are invested in other equity joint ventures, which are involved in various project developments in Mannheim and Frankfurt am Main. At December 31, 2018, the company had a balance sheet total of €38 thousand. Non-current financial assets amounting to €31 thousand accounted for the largest share of assets.

By contract dated June 25, 2018, Development Partner AG acquired 90% of the shares in MUC Airport Living GmbH for a purchase price of €40,000. The seller was MUC KG, which is controlled by Ketom AG and therefore indirectly by Norbert Ketterer. The shares are included in the consolidated financial statements on the basis of full consolidation. The target company owns a developed plot of land. At December 31, 2018, the company had a balance sheet total of €13,843 thousand. Properties and semi-finished services amounting to €12,367 thousand accounted for the largest share of assets. The financing is provided in the form of bank loans and a loan from Ketom AG.

By contract dated June 28, 2018, Development Partner AG acquired 90% of the shares in Movingstairs GmbH for a purchase price of €6,971,000. The seller was SN Beteiligungen Holding AG, which is controlled by Norbert Ketterer. Movingstairs GmbH holds 100% of the shares in Gewerbepark Neufahrn Projektentwicklungs GmbH. The shares are included in the consolidated financial statements on the basis of full consolidation as the acquisition of a property at acquisition cost. At December 31, 2018, the company had a balance sheet total of €66 thousand. Non-current financial assets amounting to €66 thousand accounted for the largest share of assets. At December 31, 2018, Gewerbepark Neufahrn Projektentwicklungs GmbH had a balance sheet total of €17,845 thousand, mainly consisting of properties and semi-finished services. The financing provided is the form of a loan from Ketom AG and by external lenders.

By contract dated June 25, 2018, Development Partner AG acquired 94% of the shares in both Single Apartment erste GmbH and Single Apartment zweite GmbH for a consideration of €23,500 in each case. The sellers were the first and third Vermögensverwaltung KG and Muc Real Estate GmbH, which are controlled, in turn, by Norbert Ketterer. The shares are included in the consolidated financial statements on the basis of full consolidation. The business activities of these companies consist in the planning of a construction project to build student apartments in Düsseldorf. At December 31, 2018, Single Apartment erste GmbH had a balance sheet total of €2,866 thousand and Single Apartment zweite GmbH a balance sheet total of €1,187 thousand. Inventory properties account for most of the assets.

By contract dated July 3, 2018, Development Partner AG additionally purchased 43% of shares in Projektentwicklung Breite Gasse GmbH for a consideration of €11 thousand. The seller was Colossa Projekt GmbH & Co. KG, which is controlled by Norbert Ketterer.

By contract dated July 3, 2018, Development Partner AG additionally purchased 43% of the shares in Projektenwicklung Rudolfplatz in Köln GmbH for a consideration of €11 thousand. The seller was Colossa Projekt GmbH & Co. KG, which is controlled by Norbert Ketterer.

By contract dated July 3, 2018, Development Partner AG additionally purchased 43% of the shares in Projektentwicklung Uerdinger Office GmbH for a consideration of €11 thousand. The seller was Colossa Projekt GmbH & Co. KG, which is controlled by Norbert Ketterer.

By contract dated July 3, 2018, Development Partner AG additionally purchased 43% of the shares in Projektentwicklung Uerdinger Residential GmbH for a consideration of €11 thousand. The seller was Colossa Projekt GmbH & Co. KG, which is controlled by Norbert Ketterer.

D. DEALINGS WITH COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER RELATED COMPANIES

Dealings with companies and other related companies accounted for using the equity method are extensive in the group. Above all, financing via other related companies is a key source of financing. For this reason, the following table includes the key information for each loan taken out.

Other related companies	Borrower	Amount in € thousand	Interest rate (in %)	Outstanding amount at December 31, 2017 in € thousand	Outstanding amount at December 31, 2018 in € thousand	End of contractual term
Helvetic Financial Services AG						
21.12.2017	Projektentwicklung Michaelkirchstraße in Berlin Beteiligungsgesellschaft mbH	33,400	20.00	–	30,467	30.03.2021
27.12.2017	Immobilienbeteiligungsgesellschaft am Kennedydamm in Düsseldorf mbH	17,000	20.00	17,028	–	30.06.2018
15.12.2017	Immobilienbeteiligungsgesellschaft am Kennedydamm in Düsseldorf mbH	44,600	20.00	–	23,144	31.12.2021
25.11.2016	Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH Co-liability of Projektentwicklung Uerdinger Straße in Düsseldorf Residential GmbH	10,009	20.00	5,466	–	30.11. 2019
23.12.2016	Projektentwicklung Rudolfplatz in Köln GmbH	14,541	20.00	9,533	11,199	30.06.2020
10.01.2017	Projektentwicklung Breite Gasse in Nürnberg GmbH	35,655	20.00	24,257	28,429	31.12.2019
HPI						
25.04.2015	Single Apartment erste Beteiligungs-GmbH	2,500	4.00	n/a	1,850	31.12.2018
Hübner 1. VVG						
01.06.2010	Development Partner AG	5,000	2.00	–	459	31.12.2018
10.11.2014	Single Apartment erste Beteiligungs-GmbH	100	2.00	n/a	15	31.12.2018
Ketom AG						
25.05.2016	MUC Airport Living GmbH, Munich	100	2.00	n/a	5,200	31.12.2017

Other related companies	Borrower	Amount in € thousand	Interest rate (in %)	Outstanding amount at December 31, 2017 in € thousand	Outstanding amount at December 31, 2018 in € thousand	End of contractual term
02.06.2017, 22.09.2017, 24.10.2017	MUC Airport Living GmbH. Munich	600	2.00	n/a		31.12.2018
05.09.2018, 12.10.2018, 16.11.2018, 18.12.2018	MUC Airport Living GmbH. Munich	4,500	4.25	n/a	5,200	31.12.2019
27.10.2016	Gewerbepark Neufahrn Projektentwicklungs GmbH	650	2.00	n/a	650	31.12.2019
06.09.2016	Gewerbepark Neufahrn Projektentwicklungs GmbH	5,700	2.00	n/a	5,700	31.12.2019
31.10.2018	Beteiligungsgesellschaft Berlin Heinersdorf 18 GmbH	9,314	4.25	n/a	1,043	31.12.2019
12.10.2018	Beteiligungsgesellschaft Berlin Heinersdorf 18 GmbH	50	4.25	n/a		31.12.2019
23.10.2018	Projektentwicklung Taunusstrasse 52–60 in Frankfurt GmbH**	10,397	10.00	n/a	11,387	31.12.2019
22.09.2017	Projektentwicklung Taunusstrasse 52–60 in Frankfurt GmbH**	990	4.25	n/a		31.12.2019
24.10.2017	2. Colossa Projekt GmbH & Co, KG	10	2.00	n/a	10	31.12.2018
28.06.2018	Development Partner Residential	9,450	4.25	n/a	26,980	31.12.2018
27.06.2018, 31.10.2018	Development Partner Residential	16,682	4.25	n/a	26,980	31.12.2019
MUC 14. Vermögensverwaltungs GmbH Co, KG						
26.09.2016	MUC Airport Living GmbH	1,450	2.00	n/a	1,450	31.12.2019
MUC Real Estate GmbH						
24.08.2018	Beteiligungsgesellschaft Berlin Heinersdorf 18 GmbH	100	2.00	n/a	100	31.12.2019
25.04.2017	MUC Airport Living GmbH	50	2.00	n/a	50	31.12.2018
29.03.2018, 25.04.2018, 21.06.2018	MUC Airport Living GmbH	950	2.00	n/a	950	31.12.2020
02.08.2018	MUC Airport Living GmbH	600	2.00	n/a	600	31.12.2019
02.08.2018	Projektentwicklung Taunusstrasse 52–60 in Frankfurt GmbH**	100	2.00	n/a	100	31.12.2019
Objektgesellschaft Königin-Luise-Str. 5						
01.10.2014	Single Apartment erste Beteiligungs-GmbH	500	2.00	n/a	265	31.12.2018
SN Beteiligungen Holding AG						
16.03.2018	Immobiliengesellschaft am Kennedydamm in Düsseldorf mbH & Co, KG	6,675	20.00	6,686	–	31.12.2018
24.10.2017	Gewerbepark Neufahrn Projektentwicklung GmbH	650	2.00	n/a	650	31.12.2018
18.10.2016	Gewerbepark Neufahrn Projektentwicklung GmbH	500	2.00	n/a	500	31.12.2018
23.10.2018	Development Partner AG	6,971	10	–	7,324	31.12.2020

Other related companies	Borrower	Amount in € thousand	Interest rate (in %)	Outstanding amount at December 31, 2017 in € thousand	Outstanding amount at December 31, 2018 in € thousand	End of contractual term
Colossa Projekt GmbH & Co. KG (Kaufpreisverbindlichkeit)						
03.07.2018	LE Quartier 1 GmbH & Co, KG			n/a	15,729	Payment expected in 2019
Ketom AG						
05.07.2017	Gateway Real Estate AG	33,972	4.25	n/a	11,753	31.12.2019
28.07.2017	Gateway Real Estate AG	18,500	4.25	n/a	11,231	31.12.2019
29.06.2017	Gateway Real Estate AG	5,000	4.25	n/a	1,082	30.09.2043
29.06.2017	Gateway Real Estate AG	5,000	4.25	n/a	225	31.12.2018
01.01.2018	Gateway Real Estate AG	1,000	2.00	n/a	1,018	Property-specific
24.04.2018	Gateway Real Estate AG	5,000	2.00	n/a	5,068	Property-specific
23.08.2018	Gateway Real Estate AG	18,000	2.00	n/a	18,096	31.01.2019
SN Beteiligungen Holding AG						
10.10.2018	Gateway Real Estate AG	5,000	4.25	n/a	5,047	31.12.2018
Total				**62,970**	**227,772**	

The total of the loans with other related companies listed in the table is lower than the total of all liabilities due to related companies in section 6.10. This is due to the fact that interest expenses for the corporate bonds are not contained in this detailed overview. The other difference in the current financial years results from other liabilities to other related companies of €1,091 thousand.

There are also the following loan receiveables due from companies accounted for using the equity method.

Investments accounted for using the equity methods	Borrower	Amount in € thousand	Interest rate (in %)	Outstanding amount at December 31, 2017 in € thousand	Outstanding amount at December 31, 2018 in € thousand	End of contractual term
19.05.2016	Projektentwicklung Weenderstr. in Göttingen GmbH & Co. KG	600	8.00	9	533	31.05.2016
28.12.2015	Projektentwicklung Venloer Straße in Köln S.à.r.l.	2,200	8.00	2,557	2,733	15.04.2021
30.01.2018	Duisburg EKZ 20 Objekt GmbH	1,000	10.00	n/a	1,092	31.12.2018

The Group has the following receivables due from other related companies.

Other related companies	Borrower	Amount in € thousand	Interest rate (in %)	Outstanding amount at December 31, 2017 in € thousand	Outstanding amount at December 31, 2018 in € thousand	End of contractual term
30.11.2018	SN Beteiligungen Holding AG	7,000	0.00	n/a	3,485	n/a
27.02.2018	PE Michaelkirchstraße in Berlin Beteiligungsgesellschaft mbH	1,455	20.00	n/a	1,695	31.12.2023

The following table details the other business dealings with companies and other related companies accounted for using the equity method:

	Transaction values		Outstanding balances at 31.12.	
in € thousand	**2018**	2017	**2018**	2017
Services provided				
Joint ventures	0	0	0	0
Associated companies	775	1,082	607	437
Other related companies and persons	88	181	19	0
Services received				
Joint ventures	0	0	0	0
Associated companies	0	0	0	0
Other related companies and persons	0	0	0	0
Other				
Joint ventures	0	0	0	0
Associated companies	0	0	0	0
Other related companies and persons	596	-130	411	-185

6.23 GOVERNING BODIES

A. SUPERVISORY BOARD

The Supervisory Board of Development Partner AG as the highest-ranking parent company was composed of the following persons in 2017:

Until July 28, 2017
- Peter Kobiela (Chairman), in retirement, Frankfurt
- Irene Thiele-Mühlhan (Vice Chairwoman), lawyer, Munich
- Josef Hastrich, bank executive board member, Cologne
- Dr. Dirk Lentfer, Rechtsanwalt. Berlin
- Klaus Mairhöfer, businessman, Bargteheide
- Friederich Sahle, engineer, Greven

From August 22, 2017
- Norbert Ketterer, businessman, Wollerau, Switzerland

  Supervisory Board mandates and seats on comparable domestic and foreign supervisory bodies according to Section 285 No. 10 HGB:
  - SN Beteiligungen Holding AG
  - Ketom AG
  - Helvetic Private Investments AG
  - Helvetic Financial Services AG
  - Peires AG
  - ACRON AG
  - Gateway Real Estate AG
  - Park Lane Zug AG
  - Real Estate Fund Invest AG
  - SKE Immobilien Holding AG
  - SKE Immobilien Schweiz I AG
  - ACRON Fisherman's Wharf Hotel SF AG
  - HK Real Estate AG
  - Areal Hitzkirch Zug AG
  - Areal Steinhausen Zug AG
  - Areal Sursee Zug AG
  - SNK Property GmbH

- Thomas Kunze, business management graduate, Leipzig

  Supervisory Board mandates and seats on comparable domestic and foreign supervisory bodies according to Section 285 No. 10 HGB:
  - Peires AG
  - CWI Immobilien AG
  - Gateway Real Estate AG

- Jan Hedding, businessman, Zurich, Switzerland
  - Gerchgroup AG
  - Peires AG
  - Acron AG
  - Real Estate Portfolio Consulting AG

Development Partner AG was the group's highest-ranking parent company in the reporting period until October 4, 2018. Until this time, the company's Supervisory Board was composed of the following gentlemen:

- Norbert Ketterer, businessman, Wollerau, Switzerland

  Supervisory Board mandates and seats on comparable domestic and foreign supervisory bodies according to Section 285 No. 10 HGB:
  - SN Beteiligungen Holding AG
  - Ketom AG
  - Helvetic Private Investments AG
  - Helvetic Financial Services AG
  - Peires AG
  - ACRON AG
  - Gateway Real Estate AG
  - Park Lane Zug AG
  - Real Estate Fund Invest AG
  - SKE Immobilien Holding AG
  - SKE Immobilien Schweiz I AG
  - ACRON Fisherman's Wharf Hotel SF AG
  - HK Real Estate AG
  - Areal Hitzkirch Zug AG
  - Areal Steinhausen Zug AG
  - Areal Sursee Zug AG
  - SNK Property GmbH

- Thomas Kunze, business management graduate, Leipzig

  Supervisory Board mandates and seats on comparable domestic and foreign supervisory bodies according to Section 285 No. 10 HGB:
  - Peires AG
  - CWI Immobilien AG
  - Gateway Real Estate AG

- Jan Hedding, businessman, Zurich, Switzerland
  - Gerchgroup AG
  - Peires AG
  - Acron AG
  - Real Estate Portfolio Consulting AG

Beginning on October 5, 2018 as the accounting acquisition date of the reverse acquisition, GATEWAY is the highest parent company of the combined group from the legal standpoint. From this time onward, GATEWAY's Supervisory Board was composed of the following gentlemen:

The Company's Supervisory Board was composed of the following gentlemen in the past financial year:

- Norbert Ketterer, businessman, Wollerau, Switzerland

  Supervisory Board mandates and seats on comparable domestic and foreign supervisory bodies according to Section 285 No. 10 HGB:
  - SN Beteiligungen Holding AG. Zug
  - Ketom AG. Zug
  - Helvetic Private Investments AG. Zug
  - Helvetic Financial Services AG
  - Peires AG
  - ACRON AG
  - Development Partner AG
  - Park Lane Zug AG
  - Real Estate Fund Invest AG
  - SKE Immobilien Holding AG
  - SKE Immobilien Schweiz I AG
  - ACRON Fisherman's Wharf Hotel SF AG
  - HK Real Estate AG
  - Areal Hitzkirch Zug AG
  - Areal Steinhausen Zug AG
  - Areal Sursee Zug AG
  - SNK Property GmbH

- Thomas Kunze, business management graduate, Leipzig

  Supervisory Board mandates and seats on comparable domestic and foreign supervisory bodies according to Section 285 No. 10 HGB:
  - Peires AG
  - CWI Immobilien AG
  - Development Partner AG

- Ferdinand von Rom, attorney (Rechtsanwalt), Frankfurt am Main

B. MANAGEMENT BOARD

The management board of Development Partner AG as the highest parent company was composed of the following gentlemen in 2017:

- Ralf Niggeman, CEO, Düsseldorf
- Emmanuel Gantenberg, CFO, Tönisvorst

Development Partner AG was the group's highest-ranking parent company in the reporting period until October 4, 2018. Until this time, the company's management board was composed of the following gentlemen:

- Ralf Niggeman, CEO, Düsseldorf
- Emmanuel Gantenberg, CFO, Tönisvorst
- Christof Meyer, CEO, Zurich, Switzeland (since June 22, 2018)

Beginning on October 5, 2018 as the accounting acquisition date of the reverse acquisition, GATEWAY is the highest parent company of the combined group from the legal standpoint. From this time onward, GATEWAY's Management Board was composed of the following gentlemen:

- Andreas Segal, CEO, Berlin (until November 1, 2018)
- Holger Lüth, CFO, Potsdam (until November 30, 2018)
- Tobias Meibom, CFO, Hamburg (as of November 5, 2018)
- Manfred Hillenbrand, CEO, Dreieich (as of November 5, 2018)

6.24 FEES OF THE INDEPENDENT AUDITOR

The total fee charged by the independent auditor for its activity throughout the group in the past financial year in the amount of €994 thousand includes fees for auditing services and other certification services, plus the statutory sales tax. The total fee breaks down as follows:

in € thousand	
Financial statements auditing services	225
Other certification services	769
Tax advisory services	0
Other services	0
Total	**994**

6.25 NOTIFIED EQUITY INTERESTS PURSUANT TO SECTION 20 AKTG (GERMAN STOCK CORPORATION ACT)

HPI Helvetic Private Investments AG, Wollerau, Switzerland, notified the Company pursuant to Section 20 (4) AktG by letter of September 13, 2011, received on September 15, 2011, that it holds a majority interest in the company. In another letter dated June 21, 2016, HPI notified us that it no longer holds a majority of the company pursuant to Section 20 (5) AktG. Thus a dependency relationship with HPI no longer exists for 2017 financial year.

SN Beteiligungen Holding AG, Switzerland, notified us on October 12, 2018 pursuant to Section 20 (1) and (3) AktG that it directly holds more than one quarter of the shares in Gateway Real Estate AG. It also notified us pursuant to Section 20 (4) AktG that it also holds a majority interest in Gateway Real Estate AG.

Mr. Norbert Ketterer, Switzerland, notified us pursuant to Section 20 (1) AktG that he indirectly holds more than one quarter of the shares in Gateway Real Estate AG because SN Beteiligungen Holding AG's interest in Gateway Real Estate AG is to be attributed to him pursuant to Section 16 (4) AktG. He also notified us pursuant to Section 20 (4) AktG that he indirectly holds a majority interest in Gateway Real Estate AG because SN Beteiligungen Holding AG's interest in Gateway Real Estate AG is to be attributed to him pursuant to Section 16 (4) AktG.

Mrs. Sandra Ketterer, Switzerland, notified us pursuant to Section 20 (1) and (5) AktG that she no longer holds more than one quarter of the shares of Gateway Real Estate AG. She also notified us pursuant to Section 20 (4) AktG that she no longer holds a majority interest in Gateway Real Estate AG.

6.26 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

The sales contract for the property of Gateway Sechste GmbH and the shares of Gateway Sechzehnte GmbH was cancelled with a contract dated January 8, 2019. GATEWAY has agreed in the Cancellation Agreement to pay the buyer compensation for expenses and damages of €0.6 million.

With a purchase agreement dated February 12, 2019, GATEWAY sold all its shares in Berlin Marienfelde Südmeile Objekt GmbH. The preliminary determination of the purchase price resulted in a cash inflow of approximately €2 million and a positive earnings effect of approximately €0.5 million.

Frankfurt am Main, February 19, 2019

(The Management Board)

The following English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) refers to the consolidated financial statements of Gateway Real Estate AG, Frankfurt am Main, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, prepared on the basis of German commercial law (HGB), as of and for the financial year ended December 31, 2018 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages.

Independent Auditor's Report

To Gateway Real Estate AG, Frankfurt am Main

AUDIT OPINION

We have audited the consolidated financial statements of Gateway Real Estate AG, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2018 and of its financial performance for the financial year from January 1 to December 31, 2018.

Pursuant to Section 322 para. 3 sentence 1 German Commercial Code (Handelsgesetzbuch, "HGB"), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

OTHER INFORMATION

The members of the Management Board are responsible for the other information.

The annual report is expected to be made available to us after the date of the auditor's report.

Our audit opinion does not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

— is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or
— otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The members of the Management Board are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the members of the Management Board are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the members of the Management Board are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of this system.
- Evaluate the appropriateness of accounting policies used by the members of the Management Board and the reasonableness of estimates made by the members of the Management Boardand related disclosures.
- Conclude on the appropriateness of the Management Board members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, February 20, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Gregory Hartman	ppa. Dr. Kay Lubitzsch
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

SUPERVISORY BOARD REPORT FOR THE 2018 FINANCIAL YEAR

Dear Shareholders,
Ladies and Gentlemen,

During the past financial year, Gateway Real Estate AG carried out a comprehensive reorientation process. We have updated our business model and completely restructured the company into one of the leading developers of commercial and residential properties in the country. Our activities are mainly focused on residential and commercial real estate in Germany's seven major cities, as well as metropolitan areas with dynamic growth prospects.

To achieve the size and market position of a leading property developer, Gateway Real Estate AG acquired 100 per cent of the equity in Development Partner AG last summer. At the same time, the company has entered into strategic partnerships with other specialists and established a strong network of local expertise for our project development business. Furthermore, we acquired in May 2018 an extensive portfolio of 21 commercial properties with a lettable area of approx. 100,000 sqm.

Gateway Real Estate AG's new business model includes covering almost all steps of the real estate development value chain ourselves. This means faster processes and decision-making, giving Gateway Real Estate AG a significant competitive edge in the sector.

The activities relating to the reorientation of the business model and corporate strategy reached their peak in the spring of 2019. Placement of a capital increase and reallocation of shares from our major shareholder in April 2019 have set the course for the future financial growth of Gateway Real Estate AG. The company also moved its listing to the Prime Standard segment of the Frankfurt Stock Exchange, which makes it more attractive to both domestic and international investors. The significant increase in market capitalisation and the free-float rise to more than 24 per cent have made the stock much more liquid.

The Supervisory Board has performed its advisory and monitoring duties required by law and the Articles of Association during the 2018 financial year, and has worked closely with the Executive Board to support its operational activities during the implementation process of these strategic decisions and operational measures.

As required by Section 171 (2) of the German Stock Corporation Act (AktG), the Supervisory Board of Gateway Real Estate AG presents the following report for the 2018 financial year to the Annual General Meeting.

1. COMPOSITION OF THE SUPERVISORY BOARD

During the financial year 2018, the members of the Gateway Real Estate AG Supervisory Board were:

- Mr Norbert Ketterer (Chairman)
- Mr Thomas Kunze (Deputy Chairman)
- Mr Tomas Suter (until March 21, 2018)
- Mr Ferdinand von Rom (from May 4, 2018)

Tomas Suter resigned from the Supervisory Board of the company with immediate effect on March 21, 2018 for personal reasons. At the request of the company's Executive Board, Frankfurt am Main District Court, by order of May 4, 2018, appointed Ferdinand von Rom as member of the Supervisory Board of the company with immediate effect until the end of the 2018 Annual General Meeting. The Annual General Meeting of August 22, 2018 has confirmed the appointment of Ferdinand von Rom until the end of the Annual General Meeting for the 2020 financial year that will discharge the Supervisory Board.

The Annual General Meeting of August 22, 2018 has increased the statutory number of Supervisory Board Members to five. Two positions on the Supervisory Board are currently vacant.

2. SUPERVISORY BOARD COMMITTEES

The Supervisory Board had three members during the 2018 financial year. Due to the small number of members, the Supervisory Board did not set up any committees.

3. MEETINGS AND RESOLUTIONS

The Supervisory Board held two ordinary face-to-face meetings during the 2018 financial year. In addition, extraordinary conference call meetings took place on March 20, July 6, July 20, July 23, July 27, August 3 and August 21, 2018. During the reporting period, a number of resolutions were also passed by circulation.

4. REPORT OF THE SUPERVISORY BOARD ON ITS ACTIVITIES

The strategic reorientation of the company was the main focus of the Supervisory Board's work during the year. The Supervisory Board has discussed this repositioning with the Executive Board in detail and supported the implementation process with expert advice.

In addition, the Executive Board has reported to the Supervisory Board regularly, comprehensively and in a timely manner all relevant issues of operating policy, future plans, developments within the company, its economic position, equity, and profitability of transactions at the level of Gateway Real Estate AG and the Group as a whole. All information provided by the Executive Board was critically appraised in terms of plausibility.

Through the regular reports of the Executive Board on the business performance, major transactions, in particular acquisitions of land and new projects, as well as on planning and achieving goals, the Supervisory Board was able to satisfy itself of the economic efficiency of corporate management by the Executive Board at the level of Gateway Real Estate AG and the Gateway Group.

Furthermore, the Chairman of the Supervisory Board remained in close contact with the executive officers between meetings to keep abreast of current developments in the company's economic situation, major transactions and the state of affairs of these transactions.

5. FOCUS OF MONITORING AND ADVISORY ACTIVITIES

The Supervisory Board was kept informed about the company's performance in each of the two ordinary meetings, and discussed a variety of issues as well as any measures requiring approval with the Executive Board.

The Supervisory Board also passed resolutions during the extraordinary conference call meetings or by written circulation when time was of the essence.

During its ordinary meeting of May 28, 2018, the Supervisory Board looked in detail at the annual and consolidated annual financial statements of Gateway Real Estate AG for the year ended 31 December 2017 as well as the management and the group management reports for the financial year 2017. The other agenda items included the Supervisory Board report to the Annual General Meeting and the company's performance in the current year. The Executive and Supervisory Boards also discussed adding development of both commercial and residential properties to the business model of holding property for investment. The Supervisory Board asked the executive officers to draw up suitable steps for implementation.

The focus of the ordinary Supervisory Board meeting of July 9, 2018 was the acquisition of 100 per cent of the shares of Development Partner AG, one of Germany's leading project development companies, as part of a capital increase by means of a contribution in kind through Gateway Real Estate AG. The Executive Board presented the findings of its due diligence process, the draft transaction documents and the framework for the required capital increase by means of a contribution in kind. Together with the experts in attendance, the executive officers answered all the questions of the Supervisory Board, who authorised the transaction. The Chairman of the Supervisory Board abstained, as he has a controlling influence in SN Beteiligungen Holding AG, vendor of the shares in Development Partner AG. The agenda for the 2018 Annual General Meeting was also presented and the relevant proposals adopted by resolution.

During its meeting on July 6, 2018, the Supervisory Board authorised lease of offices in Berlin and also approved an increase in personnel.

Termination agreements for the executive officers Manfred Hillenbrand and Tobias Meibom were discussed and approved during the Supervisory Board meeting on August 21, 2018. At the same meeting, Andreas Segal was appointed as Chief Executive Officer and Holger Lüth appointed to the Executive Board, both from September 1, 2018. Collaboration with a Hamburg-based investment bank for a possible capitalisation measure was also approved at that meeting.

The Supervisory Board of Gateway Real Estate AG met on November 5, 2018 to discuss the resignation of Andreas Segal and the likely resignation of Holger Lüth, and their replacement by reappointing Manfred Hillenbrand and Tobias Meibom to the Executive Board of the company. Both Manfred Hillenbrand and Tobias Meibom accepted their appointment.

The sale of various objects was discussed and authorised during the other extraordinary meetings.

6. APPOINTMENT OF AUDITOR FOR THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Following the appointment of the auditor for the annual and consolidated financial statements at the Annual General Meeting on August 22, 2018, the Supervisory Board appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Berlin, as auditors of the annual and consolidated financial statements of Gateway Real Estate AG for the year ended December 31, 2018. By law, the audit also included an audit of the Executive Board's report on relationships with affiliated companies in accordance with Section 312 AktG for the 2018 financial year.

7. SUPERVISORY BOARD AUDIT REPORT ON THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS OF GATEWAY REAL ESTATE AG FOR THE YEAR ENDED DECEMBER 31, 2018

The Executive Board prepared the annual financial statements for the 2018 financial year in accordance with the provisions of the German Commercial Code (HGB). The consolidated financial statements and group management report for Gateway Real Estate AG for the same period were prepared in accordance with the International Financial Reporting Standards (IFRS). These were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, who issued unqualified audit reports for both.

The above-mentioned documents and the audit reports were sent to all members of the Supervisory Board in good time for approval at the February 27, 2019 meeting to approve the financial statements. A representative of the auditor joined the Supervisory Board's conference call meeting, where both the Supervisory Board and the Executive Board met to approve the financial statements and discuss these documents in detail. The auditor reported on the material findings of their audit and answered all questions posed to them by the Supervisory Board.

The Supervisory Board undertook its own audit of the annual and consolidated financial statements for the year ended December 31, 2018 and agrees with the auditor's findings. No objections were raised following review of the final audit results. With its resolution of February 27, 2019, the Supervisory Board approved the annual and consolidated financial statements. Pursuant to Section 172 AktG, the annual financial statements for the 2018 financial year were thus established.

8. SUPERVISORY BOARD AUDIT REPORT ON THE EXECUTIVE BOARD'S REPORT ON RELATIONSHIPS WITH AFFILIATED COMPANIES IN ACCORDANCE WITH SECTION 312 AKTG

During the 2018 financial year, Gateway Real Estate AG was an enterprise controlled by Norbert Ketterer, via SN Beteiligungen Holding AG, as defined in Section 312 AktG. In compliance with Section 312 (1) AktG, the Executive Board of Gateway Real Estate AG has therefore presented its report on relationships with affiliated companies ("subordinate status report"), which contains this final statement:

> "Pursuant to Section 312 (3) AktG, we declare that our company received adequate counter performance for all legal transactions mentioned in our report on relationships with affiliated companies, based on the circumstances of which we were aware at the point in time at which the legal transactions were entered into. We have neither undertaken nor refrained from any measures at the instigation or in the interests of SN Beteiligungen Holding AG, Wollerau, Switzerland, or any enterprises associated with that company."

The Supervisory Board has received and audited the subordinate status report for the 2018 financial year. The Supervisory Board has not raised any objections to the 2018 subordinate status report and the final statement by the Executive Board.

The company meets all conditions that will allow it to continue to grow over the coming years. To do so, the Supervisory Board will continue to work closely with the Executive Board. The Supervisory Board would like to thank the executive officers and all staff for their commitment and service during the reporting period.

For and on behalf of the Supervisory Board

Frankfurt, Germany, May 2019

Norbert Ketterer
Chairman of the Supervisory Board

Financial calendar

31.05.2019	Publication Q1
21.08.2019	Annual General Meeting
26.09.2019	Publication H1
28.11.2019	Publication Q3

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