ANNUAL REPORT
2020

GATEWAY
REAL ESTATE

AT A GLANCE

—

KEY FINANCIAL INDICATORS

in € thousand	2020	2019
Financial performance indicators		
Revenue	55,518	94,442
Gross profit	204,742	413,201
EBIT adjusted	142,449	158,861
EBT	116,677	131,804
Consolidated profit	89,777	126,975
Earnings per share	0.48	0.69
Financial position and liquidity ratios		
Total assets	1,117,626	1,039,965
Equity	359,820	325,991
Equity ratio	32.2%	31.3%
Cash and cash equivalents	50,549	216,045
Net financial debt	565,960	405,774
Leverage ratio (net financial debt/EBIT adjusted LTM)	4.0	2.6
Cash flows from operating activities	–91,264	–216,205
Portfolio indicators		
Gross development volume (GDV) in € billion	5	5
Number of projects (as of end of December)	21	24

OVERVIEW OF THE FISCAL YEAR 2020

EBIT adjusted
amounts to

€ 142.4 million

in the fiscal year 2020

Earnings per share
amount to

0.48 €

in the fiscal year 2020

Gross development volume (GDV)
amounts to

€ 5 billion in 2020

Company guidance

for 2020

was achieved

Gateway Real Estate AG
closes the fiscal year 2020 with a
consolidated profit of

€ 89.8 million

Forecast for 2021:
EBIT adjusted of

€ 95–110 million

and EBT of

€ 70–80 million

ABOUT US

GATEWAY REAL ESTATE AG, TOGETHER WITH ITS SUBSIDIARIES, IS ONE OF THE LEADING LISTED REAL ESTATE DEVELOPERS WITH A FOCUS ON RESIDENTIAL REAL ESTATE. IT IS SPECIALIZED IN THE DEVELOPMENT AND THE SUBSEQUENT SALE OF OUR PROPERTIES, AS WELL AS THE CONSTRUCTION AND LONG-TERM LEASING OF RESIDENTIAL PROPERTIES FOR ITS OWN PORTFOLIO (BUILD-TO-HOLD). IN PARTICULAR, WE FOCUS ON THE DEVELOPMENT OF RESIDENTIAL REAL ESTATE IN GERMANY'S TOP 7 CITIES AND IN SELECTED HIGH-GROWTH REGIONS.

IN TERMS OF DEVELOPMENT, GATEWAY REAL ESTATE AG AND ITS SUBSIDIARIES COVER THE VALUE CHAIN FROM THE ACQUISITION OF LAND AND PROJECTS THROUGH DEVELOPMENT AND CONSTRUCTION TO THE SALE OF THE PROPERTIES. IN ADDITION, WE HAVE AN EXCELLENT NETWORK AND ESTABLISHED PARTNERSHIPS. THIS ENABLES US TO GENERATE ATTRACTIVE RETURNS FOR OUR SHAREHOLDERS.

CONTENT

STEFAN WITJES

TOBIAS MEIBOM

LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS, DEAR LADIES AND GENTLEMEN,

The year 2020 was dominated by the outbreak and the spread of the COVID-19 pandemic, and we all will remember this year for a long time. Given this backdrop, we are satisfied with the figures achieved in the past fiscal year, and we were able to meet our forecast communicated for the full fiscal year 2020.

In the past fiscal year, we achieved the following major milestones: In terms of acquisitions, the development projects in Augsburg as well as one project development in Berlin were closed in the fiscal year 2020. In addition, the acquisition of a portfolio with a nationwide project development potential, mainly in the Frankfurt region, was completed upon the payment of the purchase price, so that the portfolio is now part of our holdings. New opportunities to acquire further plots of land and projects have been brought to our attention and are currently being analyzed by us. Our gross development volume (GDV) amounts to €5.5 billion as of December 31, 2020. On the sell side, one further project development in Duesseldorf could be sold as a forward sale. In addition, we sold one project development in Hamburg through a company accounted for using the equity method. We are very pleased that we succeeded in placing another bond tranche in the amount of €26.2 million at the beginning of July 2020 to implement our positive growth strategy.

Adjusted EBIT, which is a key financial indicator for us and represents the operating profit plus the result from investments accounted for using the equity method, amounted to a total of €142.4 million in the fiscal year 2020. Thus, the result exceeded our own forecast of more than €137 million. Earnings before taxes (EBT) amounted to €116.7 million in the fiscal year 2020 and thus were also above our communicated expectation of more than €110 million. Consolidated profit (earnings after tax) amounted to €89.8 million, corresponding to earnings per share of €0.48.

Although personal contact with our shareholders is important to us, we decided to hold a digital Annual General Meeting as a result of the outbreak of the COVID-19 pandemic. Accordingly, the Company held a virtual Annual General Meeting for the first time on May 12, 2020. In this context, we want to thank you, our shareholders, most sincerely that you approved all the resolutions proposed by the Management Board and the Supervisory Board by very large majorities, and that you, in doing so, highlighted your approval of the Company's strategic path. Based on the dividend payment of €0.30 per qualifying no-par value share on May 15, 2020, we were able to have our shareholders participate in the Company's increased business performance.

As mentioned above, the outbreak of the COVID-19 pandemic led to the most severe economic recession in almost a century, with long-lasting effects on health care, employment and quality of life. From mid-March 2020 at the latest, there were radical changes in social and business life, culminating in a first lockdown. After infection prevention measures had been eased in summer, a second lockdown was imposed as the second wave emerged in November and has been maintained in 2021 to date. At the end of 2020, a first vaccine was approved in Europe and Germany, which is raising hopes. Nonetheless, the situation of the economy and the society has been, and remains to be, dominated by large uncertainties. However, the effects on Germany's real estate markets vary. The projects that are in the realization phase are progressing as planned, and initial planning work also has been started. While negotiations for new rentals and disposals slowed down in the months since the first lockdown, we subsequently observed a rising demand and were able to enter into larger rental contracts. In terms of the transaction market, funds totaling €24.5 billion were invested in office properties in Germany in the year 2020, representing a decline by one third compared with 2019. The share in the total investment volume fell from 40% to 30% – for the first time below the residential asset class which saw inflows of €25.2 billion, representing an increase of around €3 billion compared with 2019.

We also adjusted our strategy in the fiscal year 2020. After consultation with the Supervisory Board, we decided to step up the development of residential properties and to hold and manage these also in the long term in order to generate sustainable revenues (build-to-hold). The residential real estate market has turned out to be very solid during the coronavirus pandemic, and thanks to our attractive development projects, we have a wide range of properties for our future standing asset portfolio. Moreover, the German transaction market showed in 2020 that residential properties proved to be a stable asset class during the pandemic and have evolved into a safe haven for investors. We are proud that we were able to announce already on February 3, 2021 to have signed a share purchase agreement concerning all shares in Development Partner AG as well as concerning shares in three additional project companies. Hence, we completely discontinued our activities in the Commercial Property Development segment in view of the current pandemic in order to focus, in future, entirely on the Residential Property Development segment. Also in February 2021, we announced the acquisition of two large sites in Cologne and Dresden for residential property development with an overall development potential of around 540,000 sqm of floor space.

In December 2020, there were the following changes in the Company's boards. The Chairman of the Management Board of Gateway Real Estate AG, Manfred Hillenbrand, informed the Supervisory Board that he would not be available for another term as member and Chairman of the Management Board beyond December 31, 2020 as he was seeking to take up new challenges. The Supervisory Board thanked Manfred Hillenbrand for his long-standing, dedicated commitment to the Company. On January 21, 2021, Stefan Witjes was appointed as new member of the Management Board. Stefan Witjes has more than 20 years of experience in the real estate sector and will be responsible for operations in the real estate division in its capacity as Chief Operating Officer (COO). Moreover, Leonhard Fischer was appointed as an additional member of the Supervisory Board of Gateway Real Estate AG. Leonhard Fischer is an acknowledged finance expert and has many years of experience in the fields of banking and finance. The Supervisory Board and the Management Board are very satisfied in having won Leonhard Fischer as a renowned expert for the Company.

For the fiscal year 2021, the Management Board expects an adjusted EBIT of €95–110 million and consolidated earnings before taxes (EBT) of €70–80 million. The main drivers for business development are the sale of the entire commercial property portfolio in the first quarter of 2021 as well as future planned sales in the context of forward sale transactions in the Residential Properties Development segment.

Dear shareholders, there have been many things that we have had to get used to since the outbreak of COVID-19, and it cannot be foreseen whether the measures imposed will continue to be the 'new normal'. Therefore, we are grateful for your trust and look forward to the further cooperation with our very dedicated and experienced team.

Berlin, April 27, 2021

Tobias Meibom

Stefan Witjes

COMPANY PROFILE

BUSINESS MODEL

GATEWAY FOLLOWS A HOLISTIC BUSINESS MODEL COVERING THE ENTIRE VALUE CHAIN

Gateway Real Estate AG (in the following also referred to as "GATEWAY", "Company" or "Group") is one of the leading listed real estate developers in Germany. The focus of the listed company is on developing premium residential real estate in German high-demand metropolitan regions. The core regions are Germany's top 7 cities as well as selected high-growth regions.

In fiscal year 2020, the Management Board and the Supervisory Board jointly decided to build residential real estate in future also for the Company's own portfolio (build-to-hold). In the context of this extended corporate strategy, GATEWAY increasingly seeks to develop residential real estate for long-term holding and administration to generate sustainable revenues. Accordingly, the standing asset segment will be expanded further in the medium term.

Apart from the prioritized implementation of new building projects, GATEWAY's range of services also includes revitalization and conversion of buildings as well as the management and development of commercial real estate of the standing asset portfolio.

The Company's strategy is to sell a portion of new building projects through forward sales to institutional investors and to construct, and subsequently lease, residential real estate for its own portfolio. The previous business of portfolio management in relation to commercial real estate as well as the revitalization of existing commercial real estate is continued, which, in addition to sustainable cash flow generation through sales, results in stable cash flows from rental revenues. Sales of standing assets additionally fuel our development business as a growth driver.

GATEWAY follows a holistic approach for project development which covers the most important steps in the value creation chain of a development project. These steps include, among others, the acquisition of land and projects, planning and management of the development process, the sale of properties as well as offering asset and property management following the completion of a development project. The most significant steps in detail are as follows:

IDENTIFICATION, PROCUREMENT AND ACQUISITION

- MARKET RESEARCH
- BUSINESS PLANNING AND DUE DILIGENCE
- LAND ACQUISITION

PLANNING AND MANAGEMENT

- COST ESTIMATION AND BUDGET CONTROL
- COORDINATION OF ARCHITECTS, ENGINEERS AND INTERIOR DESIGNERS
- PERMITS, LICENSES, AUTHORIZATIONS AND ACCOUNTING

MARKETING AND SALES

- LETTING
- CASH FLOW OPTIMIZATION AND RISK REDUCTION THROUGH FORWARD SALES TO INSTITUTIONAL INVESTORS (B2B SALES)
- ADVERTISING AND COMMUNICATION

CONSTRUCTION ACTIVITIES

- CLOSE CONTROLLING OF COSTS, BUDGETS AND DEADLINES BY DEDICATED PROJECT MANAGERS
- PACKAGE AND INDIVIDUAL CONTRACTS

ASSET AND PROPERTY MANAGEMENT

- VALUE GENERATION THROUGH ACTIVE ASSET MANAGEMENT
- RENEGOTIATION AND SUCCESSFUL EXTENSION OF CONTRACTS WITH MAIN TENANTS
- NEW RENTALS AND PORTFOLIO MANAGEMENT OF RESIDENTIAL REAL ESTATE BUILT BY THE COMPANY

STRATEGIC DEVELOPMENT OF THE GATEWAY GROUP

As one of the leading property developers across Germany, Gateway Real Estate AG, together with its subsidiaries, can rely on a wealth of experience, including the development, marketing and management of residential and commercial real estate, and in particular office properties in the commercial sector. The focus on the Residential Property Development segment in selected high-growth regions in Germany was intensified in the fiscal year 2020, after large residential development projects and plots of land for residential projects had already been acquired in the fiscal year 2019.

In 2020 – the year of the pandemic where above all the residential property market has proved to be solid and resilient compared to other property asset classes against the backdrop of the COVID-19 crisis (please also refer to our explanations in chapters 2.2 Economic framework and 4.2.3 Development of real estate markets) – GATEWAY made the strategic decision to also develop selected projects for its own portfolio (build-to-hold) in future, alongside the increased focus on residential property development. Within the framework of this extended corporate strategy, the assets are held in the long term to generate sustainable revenues. The strategic goal to further expand the Standing Assets segment was communicated on October 28, 2020. GATEWAY's attractive project portfolio offers the foundation and, at the same time, a broad selection for future standing assets projects.

As part of the successful integration of the commercial project developments, great emphasis was already placed on integrating the necessary know-how across the entire value creation chain within GATEWAY. At the same time, the network with partner companies providing important services for GATEWAY within the process of property development was strengthened and consistently expanded. Large and now strategically key residential property development projects – such as the development site in Berlin-Heinersdorf already acquired in 2018, where Berlin's biggest ecological timber construction quarter is set to be erected, or the planned city quarter on the former Osram sites in Augsburg – have been managed internally by GATEWAY from the outset.

After the reporting date of December 31, 2020, the strategic development toward residential properties was further accelerated at GATEWAY. On February 3, 2021, an ad hoc release was published in which the Company announced that it had entered into a share purchase agreement to sell all the shares of Development Partner AG as well as its shares in three additional project companies. As part of this ad hoc release, GATEWAY also announced that it would completely discontinue its activities in the Commercial Property Development segment and would be focusing in future entirely on the Residential Property Development segment.

For GATEWAY, this is a strong indication, also for the quality of the previous commercial development projects, that a sale of the whole package of developments that were largely designed as office and commercial property projects to private investors could be initiated successfully. The residential real estate projects acquired in connection with the reverse acquisition of Development Partner AG in 2018 were not sold and remain within the GATEWAY Group. The sale leads to a reduction of GATEWAY's commercial property development risk in times of the persisting COVID-19 pandemic. At the same time, no strategically important capacities or personnel resources are lost which the Group needs for its residential property development projects in future since – as mentioned above – considerable efforts were made in the past years to establish important internal resources and stable external partnerships for the project business. This can be seen in the progress of the GATEWAY residential property projects in Berlin-Heinersdorf, Mannheim and Augsburg (see also chapter "Project portfolio"). Even if the mere number of new construction projects is reduced by the sale of commercial real estate developments within the GATEWAY project portfolio, the individual development projects themselves will be larger in size in the future, and a trend toward the development of large urban quarters is emerging. GATEWAY also sees a strategic advantage over a large number of smaller projects in this context since risks can be minimized once planning permissions have been obtained and the plots of land have thus been successfully developed. The acquisitions of large residential property development projects in Cologne and Dresden, announced on February 17, 2021 as part of an ad hoc release, with an overall development potential of around 540,000 sqm of floor space highlight this path GATEWAY has embarked on.

Also in terms of GDV, GATEWAY will be able to achieve a similar gross development volume in comparison with the time prior to the sale of Development Partner, taking into account the two high-volume residential projects in Cologne and Dresden.

In terms of human resources, GATEWAY has also been very successful in expanding its management team in recent years, bringing on board experienced residential real estate experts who are able to perfectly support the new strategy toward build-to-hold residential real estate. In January 2021, it was announced that Stefan Witjes had been appointed as new Chief Operating Officer (COO). Stefan Witjes has more than 20 years of experience in the real estate industry, particularly in the fields of project development as well as asset and fund management, and has been responsible for the realization of a multitude of commercial and residential real estate developments across Germany since 1999. Additional project development capacities are currently built up internally. Moreover, in the past fiscal year, the internal financial reporting and accounting team was substantially strengthened with new talent.

THE GATEWAY PROJECT PORTFOLIO

IN 2020, GATEWAY CONTINUED ON ITS GROWTH PATH THE COMPANY HAD ALREADY EMBARKED ON IN THE PREVIOUS YEAR AND ACQUIRED ADDITIONAL DEVELOPMENT PROJECTS.

GATEWAY has a regionally diversified project development pipeline in Germany's growth regions.

BERLIN-HEINERSDORF
Type of use Residential
Land area approx. 103,500 sqm

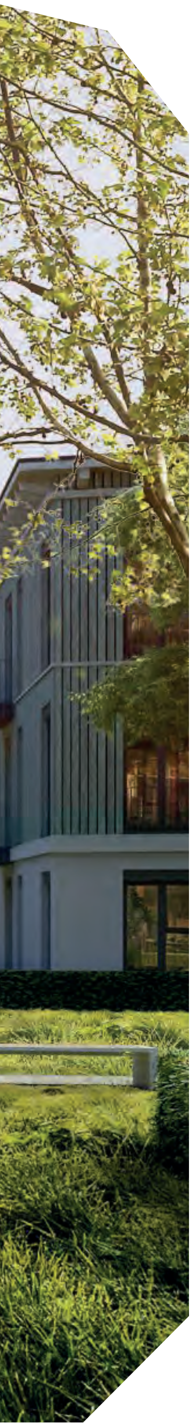
Already in 2018, GATEWAY acquired a land development project in Berlin-Heinersdorf.

It is planned to carry out a residential property development on the site of the former civil engineering combine. Located just six kilometers from Berlin Alexanderplatz, the site is set to host Berlin's biggest ecological timber construction quarter. On the site with a plot size of just under eleven hectares, the future residents will, after completion, experience climate-friendly, urban living close to nature at the fringes of the nature reserve Malchower Aue.

SULLIVAN, MANNHEIM
Type of use city quarter with mixed use
Land area approx. 70,000 sqm

In Mannheim, GATEWAY acquired a site of approximately 70,000 sqm for residential development projects as part of the city quarter development project SULLIVAN.

The highly attractive areas are located in the former Sullivan Barracks. These form part of the new city quarter called Franklin, a lively, sustainable city quarter consisting of a mix of residential space, urban flair in the midst of green fields, job opportunities, leisure facilities and educational institutions, with shopping opportunities, a well-designed traffic concept and direct connections to the surrounding quarters, to the city center and to nature. GATEWAY intends to realize the development of residential real estate using state-of-the-art construction methods and sustainable regenerative materials such as wood.



FORMER OSRAM FACILITIES, AUGSBURG

Type of use city quarter with mixed use
Land area approx. 120,000 sqm

In 2020, GATEWAY acquired a plot of land of around 120,000 sqm in the Herrenbach quarter in a central location of Augsburg.

The property is an inner-city area located directly next to the river Lech and was used for more than one century by the company Osram as a production facility for lighting products and later by the company Ledvance.

In the coming years, a new city quarter is planned to be erected on the site, using sustainable regenerative materials such as wood. The basis for this development project is an urban development competition which is expected to be held in cooperation with the City of Augsburg. One of the major issues of the planning process will be to open up the as yet inaccessible site to the city's community. In addition, the redesign also offers the opportunity to create access points to the river Lech and the riverside, thus increasing the recreational value for the urban population in the surrounding area.

THE MANAGEMENT TEAM

MANAGEMENT BOARD

The Management Board is responsible for the GATEWAY Group. Our Board members have many years of industry experience as regards project development, asset management, capital markets and finance. Our Executive Management has been responsible for the Group as a whole for many years and has been instrumental in expanding our project portfolio and advancing the Company's strategy.

As of December 31, 2020, the Management Board of Gateway Real Estate AG had two members. The Management Board member Manfred Hillenbrand informed the Supervisory Board on December 16, 2020 that he would not be available as a member and Chairman of the Management Board beyond December 31, 2020 as he was seeking to take up new challenges. The Supervisory Board thanked Manfred Hillenbrand for his long-standing, dedicated commitment for the Company.

Tobias Meibom Chief Finance Officer (CFO)
Responsible for: Finance, Financing, Taxes, Investor Relations

Tobias Meibom has more than 15 years of experience in the real estate industry and in the areas of finance, due diligence and taxes. He holds a master's degree in Business Administration (Diplom-Kaufmann) and worked at business law firm Nörenberg Schröder as a tax consultant and auditor for various listed companies. Afterwards, he spent many years as Director Finance at the listed TAG Immobilien AG and subsequently in its operating subsidiaries as a member of the management boards (JUS Aktiengesellschaft für Grundbesitz, AGP AG). After a board membership in a company from the renewable energy sector, Tobias Meibom was appointed Chief Financial Officer of Gateway Real Estate AG for the first time in 2011.

Stefan Witjes
Chief Operating Officer (COO)

Stefan Witjes has more than 20 years of experience in the real estate industry, particularly in the fields of project development, asset and fund management. Following five years at the audit firm Deloitte & Touche with a focus on main construction industry, he has been responsible for the realization of a multitude of commercial and residential real estate developments across Germany since 1999.

SUPERVISORY BOARD

The Supervisory Board of Gateway Real Estate AG, which is the Company's controlling body, combines many years of business experience and a strong real estate expertise. In accordance with the Articles of Association, GATEWAY's Supervisory Board consists of five members.

Marcellino Graf von und zu Hoensbroech had informed the Management Board of the Company by letter dated March 16, 2020, about his intention to resign from his Supervisory Board office effective April 30, 2020. On December 21, 2020, based on a motion filed by the Company, Leonhard Fischer was appointed as further member of the Supervisory Board of Gateway Real Estate AG so that the number of Supervisory Board members as prescribed by the Articles of Association was achieved again. Leonhard Fischer has many years of experience in the fields of banking and finance. Detailed information on the previous positions of the new Supervisory Board member can be found on the Company's website.

As of December 31, 2020, GATEWAY's Supervisory Board consisted of the following experienced experts:

Norbert Ketterer
Chairman of the Supervisory Board

Thomas Kunze
Deputy Chairman of the Supervisory Board

Ferdinand von Rom
Member of the Supervisory Board

Jan Hendrik Hedding
Member of the Supervisory Board

Leonhard Fischer
Member of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

The fiscal year 2020 was a year that we will certainly remember for a long while. The obvious reason for this is the worldwide COVID-19 pandemic, which also left its mark on Gateway Real Estate AG. Nevertheless, it is apparent that the property market – in contrast to other sectors – has fared relatively well during the current crisis so far. This applies particularly for the residential market. This is one of the reasons why GATEWAY has revised and partially redefined its strategy. Accordingly, the Company focuses on the development of residential properties, with selected projects being transferred subsequently to the Company's own standing asset portfolio. The Supervisory Board, with which the Management Board has been in close consultation in this regard, is confident that the Company will strengthen its position in the future years as a result of this change of course.

TRUSTING COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In the fiscal year 2020, the Supervisory Board focused on fulfilling its duties imposed upon it by legal regulations, the German Corporate Governance Code and Gateway Real Estate AG's Articles of Association with utmost care. In particular, the Supervisory Board advised the Management Board in governing the Company on a regular basis and continuously monitored its activities. The cooperation between these two corporate bodies was always characterized by a trusting and constructive atmosphere.

The Management Board informed the Supervisory Board regularly and comprehensively both in writing and orally about the Company's business policy, strategy, business development and position of the Company and the resulting risks and rewards as well as about corporate planning and risk management. In this context, above all, deviations between actual and planned development were timely explained and significant business transactions were coordinated with the Supervisory Board. In addition, the members of the Supervisory Board, in particular its Chairman, maintained regular contact with the Management Board even outside of Supervisory Board meetings in order to share information about topics of significance for the Company, in particular about its strategy and business development.

SUPERVISORY BOARD MEETINGS

In fiscal year 2020, the Supervisory Board held a total of seven meetings. The subject matter of the meetings referred to current business development as well as various significant individual matters and transactions subject to approval. Moreover, resolutions were passed in seven cases by way of a circulation procedure.

On **January 21, 2020**, the Supervisory Board approved the declaration of compliance with the German Corporate Governance by way of a circulation procedure.

On **February 17, 2020**, the Supervisory Board determined the target figures for the share of women in the Supervisory Board and the Management Board by way of a circulation procedure.

On **March 20, 2020**, the Supervisory Board voted in favor of the conclusion of a loan agreement with Ketom AG by way of a circulation procedure.

In its meeting on **March 27, 2020**, the Supervisory Board, in consultation with the auditor, the Audit Committee and the Management Board, discussed and approved the annual and consolidated financial statements as of December 31, 2019, including the related management reports, the dependent company report as of December 31, 2019 as well as the corresponding reports of the auditor. Furthermore, the Supervisory Board deliberated on the budget and the forecast for fiscal year 2020 and afterwards consented to the proposal of the Management Board on the appropriation of the net retained profit recorded in fiscal year 2020. In addition, the Supervisory Board agreed and approved the report of the Supervisory Board to the Annual General Meeting as well as the sale of an equity investment. The Supervisory Board meeting on March 27, 2020 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom and Jan Hendrik Hedding.

On **April 14, 2020**, the Supervisory Board approved the agenda for, and the notice convening, the Annual General Meeting by way of a circulation procedure; in this context, the Supervisory Board made use of the reduced term pursuant to the COVID-19 Act and convened the Annual General Meeting as a virtual meeting to be held on May 12, 2020. In the process, the Supervisory Board agreed to the procedures resolved by the Management Board as regards dealing with shareholder questions.

In its meeting on **May 25, 2020**, the Supervisory Board voted in favor of the issue of a sixth tranche of the 2016/2021 bond. The Supervisory Board meeting on May 25, 2020 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom and Jan Hendrik Hedding.

On **May 26, 2020**, the Supervisory Board approved, by way of a circulation procedure, the review of a potential company acquisition, including the related costs.

In its meeting on **June 30, 2020**, the Management Board gave an account of the Company's risk management, including its corporate governance, to the Supervisory Board. Furthermore, the Management Board was informed about the audit approved on May 26, 2020 as well as about the current status of three agreements on the sale of land that had been entered into in December 2019. The Supervisory Board also approved the conclusion of an external project controlling agreement with Colossa Projekt GmbH & Co. KG in order to apply a more thorough controlling to the Company's joint venture projects in Berlin. Finally, the Supervisory Board approved a contract modification in connection with the sale of the project Frankfurt, Taunusstraße in December 2019. The Supervisory Board meeting on June 30, 2020 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom and Jan Hendrik Hedding.

In its meeting on **August 14, 2020**, the Supervisory Board, together with the Management Board, discussed corporate planning and the Company's profitability as well as the progress as regards the preparation of the half-yearly financial statements. Moreover, the Supervisory Board discussed and approved the conclusion of a loan and guarantee credit intermediation agreement with SN Beteiligungen Holding AG. Another subject of the meeting on August 14, 2020 was a self-assessment of the Supervisory Board and its committees after which the Supervisory Board sees itself well positioned to perform its duties delegated to it by law and the Articles of Association. The Supervisory Board meeting on August 14, 2020 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom and Jan Hendrik Hedding.

In its meeting on **September 10, 2020**, the Supervisory Board resolved to extend the term of office of Tobias Meibom on the Management Board, which originally expired on December 31, 2020, by three years. The Supervisory Board meeting on September 10, 2020 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom and Jan Hendrik Hedding.

In its meeting on **October 28, 2020**, a presentation was held by the Management Board on a potential expansion of the Company's business model. After a discussion on that topic, the Supervisory Board agreed to an expansion of the business model pursuant to which the Company will, in future, also construct residential real estate for the Company's own portfolio. Furthermore, after a discussion with the Management Board, the Supervisory Board approved the budget for the remainder of the year and the forecast for the consolidated financial statements of the 2020 fiscal year. In addition, the Supervisory Board, together with the Audit Committee, conducted a quality review in relation to the audit of the financial statements which did not give rise to any objections. The Supervisory Board also discussed and approved a system for the remuneration of the Management Board members to be submitted for approval at the ordinary Annual General Meeting 2021. Finally, the Supervisory Board discussed a potential successor to Graf von und zu Hoensbroech who resigned from the Supervisory Board at the end of April 2020. The Supervisory Board meeting on October 28, 2020 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom and Jan Hendrik Hedding.

Based on a resolution passed by way of a circulation procedure on **December 9, 2020** and **December 16, 2020**, respectively, the Supervisory Board approved the prolongation of two loan agreements with SN Beteiligungen Holding AG as well as the signing of two project service agreements with MUC Real Estate GmbH.

In its meeting on **December 16, 2020**, the Supervisory Board was supposed to discuss and resolve the extension of Manfred Hillenbrand's term of office on the Management Board. During the meeting, the Supervisory Board was informed that Manfred Hillenbrand would not be available for another term beyond December 31, 2020. All the members of the Supervisory Board expressed their regret as regards this decision and declared that they would immediately start the process of finding a successor.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board currently has an Audit Committee, consisting of Jan Hendrik Hedding (Chairman), Ferdinand von Rom and Thomas Kunze, as well as a Real Estate Committee, consisting of Norbert Ketterer and Thomas Kunze.

CORPORATE GOVERNANCE

The Supervisory Board continuously monitored and discussed the development of corporate governance within the GATEWAY Group. Comprehensive information is included in the corporate governance statement for the fiscal year 2020 which can be accessed on the Company's website.

Information about the structure and the amount of the remuneration for members of the Management Board and the Supervisory Board can also be found, for the first time, in a separate remuneration report for the fiscal year 2020, which also has been published on the Company's website.

Management Board and Supervisory Board have adopted the joint declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz; AktG), after detailed discussions in relation to the requirements of the German Corporate Governance Code, as amended in 2020. This is an integral part of the corporate governance statement which also has been made accessible separately on the Company's website.

AUDIT OF ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The auditor appointed by the Extraordinary General Meeting on January 20, 2020 – Rödl & Partner GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Nuremberg – has audited the annual financial statements of Gateway Real Estate AG as well as the consolidated financial statements as of December 31, 2020, as prepared by the Management Board, including the respective management reports, and issued unqualified audit opinions thereon.

Any of these filings, including the Management Board's proposal on the appropriation of the net retained profit and the report on relationships with affiliated companies for the fiscal year 2020 pursuant to Section 312 AktG ("dependent company report"), were made available to the Supervisory Board and the Audit Committee in due time and were the subject of the meetings of the Audit Committee and the Supervisory Board on April 26 and 27, 2021. At the latter, representatives of the auditor also participated in the meeting. The auditors presented the key audit matters and the material findings of their audit and discussed in more detail the key audit matters and the audit procedures employed. The auditors were available to the members of the Audit Committee and the Supervisory Board for detailed discussions. No circumstances were identified that would indicate any partiality of the auditor.

The Audit Committee presented to the Supervisory Board the material contents and findings of its preliminary audit and provided recommendations regarding the proposals to be passed by the Supervisory Board. The Supervisory Board reviewed the annual and consolidated financial statements for the fiscal year 2020, the respective management reports and the proposal on the appropriation of the net retained profit made by the Management Board, and concurred with the findings of the audit conducted by the auditor. Based on its own review, the Supervisory Board determined that no objections have to be raised against the annual and consolidated financial statements and the respective management reports. According to the recommendation of the Audit Committee, the Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board. The annual financial statements of Gateway Real Estate AG were thus adopted.

PROPOSAL ON THE APPROPRIATION OF NET RETAINED PROFIT

In connection with the Management Board's proposal on the appropriation of net retained profit, the Audit Committee and the Supervisory Board have also discussed in detail the accounting policy and the financial planning. Based on its own review, the Supervisory Board followed the proposal of the Management Board to propose to the Annual General Meeting that the net retained profit for the fiscal year 2020 shall be carried forward to new account.

REVIEW OF THE DEPENDENT COMPANY REPORT

In the fiscal year 2020, Gateway Real Estate AG was a dependent company within the meaning of Section 312 AktG. Therefore, the Management Board of Gateway Real Estate AG has prepared a dependent company report for fiscal year 2020 which includes the following closing statement:

"We herewith declare in accordance with Section 312 (3) AktG that our Company has received an appropriate compensation as regards the legal transactions set out in the abovementioned report about relationships with affiliated companies, based on the circumstances of which we were aware at the point in time at which such legal transactions were entered into. There were no measures taken or refrained from upon the initiation or in the interest of SN Beteiligungen Holding AG and Mr. Norbert Ketterer as well as their affiliated enterprises."

The auditor issued the following unqualified audit opinion for the dependent company report:

"On the basis of our audit and assessment performed in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct,
2. the consideration given by the Company with respect to the transactions listed in the report was not inappropriately high."

Based on its own review, the Supervisory Board followed the opinion of the auditor. The review did not give rise to any objections. Moreover, the Supervisory Board did not raise any reservations against the Management Board's closing statement in the dependent company report for the fiscal year 2020.

DISCLOSURE OF CONFLICTS OF INTEREST

In compliance with the German Corporate Governance Code, each member of the Management Board and the Supervisory Board shall disclose any conflicts of interest that may arise.

In connection with the loan agreement approved on March 20, the project controlling agreement and the supplement to the agreement in relation to the Taunusstraße project, which were on the agenda of the meeting on June 30, 2020, the loan and guarantee credit intermediation agreement discussed in the meeting on August 14, as well as the agreements approved by way of the resolutions adopted on December 9 and December 17, Norbert Ketterer disclosed that he holds majority stakes in the respective contracting parties. In order to avoid conflicts of interest, Mr. Norbert Ketterer did not participate in the related consultations and resolutions passed by the Supervisory Board.

CHANGES IN THE SUPERVISORY BOARD

At the beginning of the fiscal year, the Supervisory Board consisted of Norbert Ketterer (Chairman), Thomas Kunze (Deputy Chairman), Ferdinand von Rom, Jan Hendrik Hedding and Marcellino Graf von und zu Hoensbroech. Much to the regret of the Supervisory Board, the latter resigned from office with effect from April 30, 2020, after which the Supervisory Board consisted of only the remaining four members for the time being. On December 7, 2020, upon a proposal made by the Supervisory Board, the Management Board filed an application with the Frankfurt am Main local court to additionally appoint Leonhard Fischer as a new member of the Supervisory Board; in compliance with the recommendation of the German Corporate Governance Code, the term of office was initially limited until the Annual General Meeting 2021. The application was approved by resolution dated December 21, 2020, so that the Supervisory Board since that date has consisted of five members as provided for in the Articles of Association. As part of his induction, Leonhard Fischer was briefed in terms of the business activities and the organizational structures of the Company and was informed in writing about the obligations under capital market law that result from the membership in a supervisory board of a publicly-traded company.

Berlin, April 2021
For the Supervisory Board

Norbert Ketterer
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT AND CORPORATE GOVERNANCE STATEMENT OF GATEWAY REAL ESTATE AG

Gateway Real Estate AG attaches great importance to good corporate governance. The following is a report on the Company's corporate governance prepared jointly by the Management Board and the Supervisory Board. The corporate governance statement for the Company and the Group is part of the Group management report.

In the fiscal year 2020, the Management Board and the Supervisory Board have continued to elaborate on principles of good corporate governance. Matters of special significance were the German Act Implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie; ARUG II), which came into effect on January 1, 2020, as well as the amended German Corporate Governance Code, which was published in the German Federal Gazette (Bundesanzeiger) on March 20, 2020.

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 AKTG

The Management Board and Supervisory Board of Gateway Real Estate AG hereby declare that the Company was in compliance with the recommendations of the Government Commission of the German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex), as amended on February 7, 2017 and published by the German Federal Ministry of Justice in the official section of the German Federal Gazette on April 24, 2017 ("GCGC 2017"), from the issue of the declaration of compliance dated January 22, 2020 until the announcement of the German Corporate Governance Code in its version dated December 16, 2019 on March 20, 2020, save for the following exceptions:

1. **Section 3.8:** The Code recommends to agree on a corresponding deductible in the D&O (directors' and officers' liability insurance) policy. This deductible shall cover at least ten percent of the loss up to at least the amount of one and a half times the fixed annual remuneration of the Supervisory Board member. Gateway Real Estate AG has waived such regulation. The Management Board and the Supervisory Board are of the opinion that a deductible is neither necessary nor suitable to improve the sense of responsibility and the motivation of the Supervisory Board members.

2. **Section 4.1.3:** Pursuant to the recommendation of the Code, employees and third parties shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the company ("**whistleblowing**"). The Management Board believes that the Company has an effective compliance management system even without establishing such a whistleblowing system since the Management Board and the Group Legal Department are closely integrated in the operating and legal units of Gateway Real Estate AG. Against this backdrop, the Management Board currently does not believe that establishing a formal whistleblowing system is necessary. The effort associated with introducing such a system is not reasonable in view of the potential benefits for the Company and stakeholders, particularly with respect to the Company's size, structure and business activities.

3. **Section 4.2.3:** Pursuant to Section 4.2.3 of the Code, the monetary remuneration of the Management Board members shall comprise fixed and variable components. In derogation from the Code recommendation, the members of the Management Board are not granted variable remuneration. The Supervisory Board believes that the system adopted for the remuneration of the Management Board is appropriate also in this regard and is aimed at promoting a sustainable company development, especially since the members of the Management Board hold shares in Gateway Real Estate AG (cf. https://www.gateway-re.de/en/investor-relations/corporate-governance/managers-transactions/) to a sometimes not insignificant extent.

4. **Section 5.1.2 para. 2 sentence 3:** The Company considers the specification of an age limit for Management Board members, as recommended by the Code, as unnecessary since reaching a certain age limit is no indication for the qualification of a member of the Management Board. Therefore, no age limit has been specified.

5. **Section 5.1.3:** Against the backdrop of the young and expanding business activities of the Company and the number of its members, the Supervisory Board does not currently believe that it is necessary to adopt rules of procedure. As the Company and/or the Supervisory Board increase in size, the Supervisory Board will consider the preparation of rules of procedure.

6. **Section 5.3.1, 5.3.3:** In derogation from the recommendation set out in Section 5.3.3 of the Code, the Supervisory Board has not established a Nomination Committee. The Supervisory Board is of the opinion that the Supervisory Board as a whole shall early deal with decisions such as the appointment or nomination of Management Board and/or Supervisory Board members.

7. **Section 5.4.1:** In accordance with Section 5.4.1, the Supervisory Board shall determine concrete objectives regarding its composition and shall prepare a profile of skills and expertise for the entire Board and shall aim at fulfilling the overall profile when making proposals to the Annual General Meeting concerning new appointments. Apart from determining a target for the share of women, the Supervisory Board of Gateway Real Estate AG has not yet determined concrete objectives for its composition and has not prepared a profile of skills and expertise for the entire Board. In its election proposals for the Supervisory Board, the Supervisory Board has based its decisions primarily on the individual professional and personal suitability of candidates. This is a tried-and-tested procedure in the view of the Supervisory Board.

8. **Section 7.1.2 sentence 3:** In accordance with the recommendation set out in Section 7.1.2 sentence 3 of the Code, the consolidated financial statements and the Group management report shall be made publicly accessible within 90 days from the end of the fiscal year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period. In contrast, the legal provisions require that the consolidated financial statements, including the Group management report, have to be published within four months from the end of the fiscal year, and that half-yearly financial reports have to be published within three months after the end of the reporting period. Pursuant to the Stock Exchange Regulations of the Frankfurt Stock Exchange for the Prime Standard, quarterly statements shall be transmitted to the Management Board of the Frankfurt Stock Exchange within two months from the end of the reporting period. The Company has been in compliance with the legal terms and the terms defined by the Stock Exchange Regulations since it deems these terms as appropriate. The Company may publish reports earlier if the internal procedures allow such earlier publication.

The Management Board and the Supervisory Board of Gateway Real Estate AG additionally declare that the Company has been in compliance with the recommendations of the Government Commission of the German Corporate Governance Code, as amended on December 16, 2019 ("GCGC 2019") since their announcement in the official section of the Federal Gazette on March 20, 2020, save for the following exceptions:

1. **Recommendation A.2:** The statements above in relation to Section 4.1.3 of the GCGC 2017 apply.

2. **Recommendation B.5:** The statements above in relation to Section 5.1.2 para. 2 sentence 3 of the GCGC 2017 apply.

3. **Recommendations C.1 and C.2:** The statements above in relation to Section 5.4.1 of the GCGC 2017 apply.

4. **Recommendation C.7:** Pursuant to recommendation C.7, more than half of the shareholder representatives shall be independent from the Company and the Management Board. This had been the case until the resignation of Marcellino Graf von und zu Hoensbroech. Since May 1, 2020, the Supervisory Board had only four members, of which only two are independent from the Company and the Management Board pursuant to the definition set out in recommendation C.7. The Company has been in compliance with recommendation C.7 since the appointment of Leonhard Fischer on December 21, 2020 as an additional member of the Supervisory Board.

5. **Recommendation C.10:** The Chairman of the Supervisory Board and the Chairman of the Audit Committee shall be independent from the Company and the Management Board. The Chairman of the Audit Committee shall also be independent from the controlling shareholder. The Company deviates from this recommendation. Both the Chairman of the Supervisory Board and the Chairman of the Audit Committee are neither independent from the Company nor independent from the controlling shareholder as defined in recommendation C.7. However, the Management Board and the Supervisory Board believe that this neither represents a material and permanent conflict of interest nor does it impede the performance of the related duties.

6. **Recommendation D.1:** The statements above in relation to Section 5.1.3 of the GCGC 2017 apply.

7. **Recommendation D.5:** The statements above in relation to Sections 5.3.1 and 5.3.3 of the GCGC 2017 apply.

8. **Recommendation D.8:** It now shall be noted in the report of the Supervisory Board how many meetings of the Supervisory Board, and of the committees, the individual members attended in each case. This disclosure was not made in the annual report for the fiscal year 2019 which the Company published shortly after the effective date of the GCGC 2019. This recommendation will be complied with in the next annual report, i.e. in the report of the Supervisory Board included therein.

9. **Recommendation F.2:** The statements above in relation to Section 7.1.2 sentence 3 of the GCGC 2017 apply.

10. **Recommendations G.1, G.6-G.10 and G.12** set out requirements as regards the remuneration system and the determination of the remuneration. The Company deviates from this recommendation as far as variable remuneration components are used. The remuneration system resolved upon by the Supervisory Board currently does not provide for variable remuneration components for the Management Board. The rationale is given in the statements above in relation to Section 4.2.3 of the GCGC 2017.

Frankfurt am Main, January 21, 2021
Gateway Real Estate AG
Management Board and Supervisory Board

DISCLOSURES REGARDING CORPORATE GOVERNANCE PRACTICES

WORKFLOWS AND COMPOSITION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

Dual management structure

A dual board management system is required by law for German stock corporations. Gateway Real Estate AG has a dual management structure consisting of the governing bodies Management Board and Supervisory Board. Management and monitoring structures are therefore clearly separated. Apart from the legal requirements and the recommendations of the German Corporate Governance Code, authorities, rights and obligations of Gateway Real Estate AG's Management Board and Supervisory Board are set out in the Company's Articles of Association, which are accessible on the Company's website. Moreover, obligations, responsibilities and workflows of the Management Board as well as the collaboration with the Supervisory Board are prescribed in the Management Board's rules of procedure. The Supervisory Board currently does not have rules of procedure.

The Management Board manages the business operations of the Company on its own responsibility with the aim of a sustainable value creation and in the interest of the Company, i.e. taking into consideration the interests of shareholders, employees and other groups affiliated with the Company (stakeholders). The Management Board and the Supervisory Board cooperate based on a trusting relationship for the benefit of the Company. The Management Board determines the Company's business policy and develops the strategic orientation of the Company, coordinates it with the Supervisory Board, and ensures its implementation. The management is divided into business units based on a defined schedule of responsibilities, which in turn are allocated to the members of the Management Board. Adoption, amendment and revocation of the schedule of responsibilities require a resolution to be made by the Supervisory Board. Each Management Board member reports to the Management Board about measures, transactions and developments in his respective business areas that are material for the Company. In addition, the Management Board informs the Supervisory Board on a regular basis in a timely and comprehensive manner about the planning of business development, the risk situation, risk management and compliance. Reporting shall be made as early as possible.

In fiscal year 2020, the Management Board consisted of two members.

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SCHEDULE OF RESPONSIBILITIES PURSUANT TO SECTION 2 PARA. 1 OF THE RULES OF PROCEDURE:

Name and function	Date of appointment	End of term of office	Responsibilities
Manfred Hillenbrand, CEO	11/05/2018	12/31/2020	Chairman of the Management Board, Real Estate, Strategy, HR
Tobias Meibom, CFO	11/05/2018	12/31/2023	Finance, Legal, Investor Relations, IT

The term of Manfred Hillenbrand as member and Chairman of the Management Board expired on December 31, 2020.

On January 21, 2021, Stefan Witjes was appointed as an additional member of the Management Board (Chief Operating Officer – COO). During the transitional phase from January 1, 2020 until the appointment of Mr. Witjes, Mr. Meibom was solely responsible for the duties of the Management Board.

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in key decisions affecting the Company. In accordance with the German Corporate Governance Code, the Supervisory Board shall include what it considers to be an appropriate number of independent members, thereby taking into account the shareholder structure. In accordance with the Articles of Association, the Supervisory Board consists of five members. The members of the Supervisory Board in the year under review were as follows:

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Name	Function	Date of appointment	End of term of office
Norbert Ketterer	Chairman of the Supervisory Board	08/24/2016	Annual General Meeting 2021
Thomas Kunze	Deputy Chairman of the Supervisory Board	08/24/2016	Annual General Meeting 2021
Ferdinand von Rom	Member of the Supervisory Board	08/22/2018	Annual General Meeting 2021
Jan Hendrik Hedding	Member of the Supervisory Board	08/21/2019	Annual General Meeting 2021
Marcellino Graf von und zu Hoensbroech	Member of the Supervisory Board	08/21/2019	04/30/2020
Leonhard Fischer	Member of the Supervisory Board	12/21/2020	Annual General Meeting 2021

The members of the Supervisory Board are generally elected by the shareholders during the Annual General Meeting. Marcellino Graf von und zu Hoensbroech resigned from his Supervisory Board office for personal reasons effective April 30, 2020. On December 7, 2020, in order to again achieve the number of members as prescribed by the Articles of Association, the Management Board filed an application to appoint Leonhard Fischer as additional member of the Supervisory Board upon the proposal of and by mutual agreement with the Supervisory Board. The application was approved by way of a resolution of the Frankfurt am Main local court on December 21, 2020.

COMMITTEES

Pursuant to the recommendations of the German Corporate Governance Code, the Supervisory Board shall establish an audit committee that addresses in particular the monitoring of the accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit and compliance. The Audit Committee submits to the Supervisory Board a reasoned recommendation for the appointment of the auditor, which comprises at least two candidates if the audit engagement is put out to tender. The Audit Committee monitors the auditor's independence and concerns itself with the additional services rendered by the auditor, the issuance of the audit engagement, the determination of key audit areas and the fee agreement.

The Supervisory Board of Gateway Real Estate AG has followed this recommendation and established an Audit Committee already in 2019, which has been chaired by Jan Hendrik Hedding since then. The other members of the Audit Committee are Ferdinand von Rom and Thomas Kunze.

Moreover, the Supervisory Board has a Real Estate Committee currently consisting of Thomas Kunze and Norbert Ketterer. The Real Estate Committee discusses and makes a decision about sales of real estate proposed by the Management Board when such sales do not require the consent of the Supervisory Board as whole in accordance with the Management Board's rules of procedure. The resolutions of the Real Estate Committee are adopted by simple majority.

SUCCESSION PLANNING

Long-term succession planning within the meaning of recommendation B.2 of the GCGC 2020 is based on regular discussions between the chairmen of Management Board and Supervisory Board as well as on regular deliberations as regards this topic in the Steering Committee of the Supervisory Board. Deliberations include the contract terms and extension options for current Management Board members as well as potential successors.

AGE LIMIT

The Company has not specified general age limits for the members of its Management Board and Supervisory Board. Please refer to Section 5.1.2 para. 2 sentence 3 of the declaration to the GCGC 2017.

SELF-ASSESSMENT

According to the recommendation of the new GCGC 2020, the Supervisory Board shall assess, at regular intervals, how effective the Supervisory Board as a whole and its committees fulfill their tasks. The Supervisory Board conducted such a self-assessment during its meeting on August 14, 2020. It is the consensus of the Supervisory Board members that the Supervisory Board and its committees are well positioned to fulfill their tasks delegated to them by law and the Articles of Association. This opinion also applies to the period in which the Supervisory Board consisted of only four members as a result of the resignation of Marcellino Graf von und zu Hoensbroech.

EVALUATION OF THE AUDIT

In compliance with the corresponding recommendation of the new GCGC 2020, the members of the Supervisory Board evaluated the quality of the audit conducted by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft ("Rödl") during their meeting on October 28, 2020. This evaluation did not give rise to any objections related to the audit to be made by the Supervisory Board and its Audit Committee.

DIVERSITY CONCEPT

In accordance with Section 76 para. 4 and Section 111 para. 5 of the German Stock Corporation Act (Aktiengesetz; AktG), the Company is obliged to determine target figures for the share of women and terms for achieving such target figures.

- The target figure for the share of women in the Supervisory Board until December 31, 2024 was set at 20 percent.
- The target figure for the share of women in the Management Board until December 31, 2024 was set at 25 percent.
- The share of women in the first management level below the Management Board until December 31, 2024 was set at 20 percent.

The targets were not achieved in the year under review. As before, there are no women in the Management Board and the Supervisory Board as well as in the first management level below the Management Board.

In the first management level below the Management Board, the position of Head of Accounting was created and newly filled. The candidates that met the requirements for recruiting did not include women. The vacancy in the Supervisory Board due to the resignation of Marcellino Graf von und zu Hoensbroech as of April 1, 2020, was filled through the reappointment of Leonhard Fischer. In the reappointment process, which was intended to be completed by the end of the reporting year to again achieve the number of members as prescribed by the Articles of Association, there were no female candidates who had skills and experience comparable to those of Mr. Fischer. The same applies to the position of Chief Operating Officer which was filled in January 2021.

There is only one further management level at Gateway Real Estate AG below the Management Board; therefore, no target has been specified as regards the second management level below the Management Board.

DISCLOSURE OF CONFLICTS OF INTEREST

In compliance with the German Corporate Governance Code, each member of the Management Board and the Supervisory Board shall disclose any conflicts of interest that may arise. No conflicts of interest arose during the fiscal year 2020 in relation to the Management Board. Any conflicts of interest within the Supervisory Board that were brought to the attention of the Supervisory Board in the fiscal year 2020, and the actions taken in this context are addressed in the report of the Supervisory Board.

D&O INSURANCE

Please refer to the statements in the declaration of compliance with the GCGC 2017, Section 3.8.

DIRECTORS' DEALINGS

Pursuant to Art. 19 of the Market Abuse Regulation, executives and persons closely associated with them shall notify managers' transactions in shares or debt securities within three business days after the conclusion of the transaction if a total volume of €20,000 is reached in the calendar year. These notifications can be accessed on the Company's website under: https://gateway-re.de/en/investor-relations/corporate-governance/managers-transactions/

DISCLOSURE OF MATERIAL TRANSACTIONS WITH RELATED PARTIES IN ACCORDANCE WITH SECTION 111C AKTG.

Since January 1, 2020, the effective date of Section 111c of the German Stock Corporation Act (Aktiengesetz; AktG), listed companies have to disclose any related party transaction if its economic value individually or together with the transactions conducted with the same party during the current fiscal year prior to the relevant transaction exceeds 1.5 percent of the sum total of the Company's non-current and current assets. Transactions that are carried out in the normal course of business and on an arm's length basis do not fall under the scope of this rule.

In the year under review, the Company has not conducted any related party transactions that had to be disclosed pursuant to Section 111c AktG.

COMPLIANCE

The Management Board of GATEWAY has adopted a compliance policy which, in its version dated November 2019, is applicable to all employees of the GATEWAY Group and the members of the Supervisory Board; adherence to this policy is mandatory. The compliance policy sets out statements and requirements regarding conduct in accordance with legal provisions and sets out the Company's values. The GATEWAY Group expects that all executives and employees are familiar with and adhere to all relevant legal requirements and the company-internal compliance policy. They receive regular training for this purpose. In addition, the GATEWAY Group has appointed a Compliance Officer and a Data Protection Officer. The Compliance Officer maintains close contact with the Management Board and the Supervisory Board, provides information about, amongst other things, applicable lock-up periods applicable to the Company's shares or other financial instruments and maintains the register of insiders. The Compliance Officer also informs about all relevant legal provisions, future changes in laws, and the consequences of breaches of law. The Group legal department and/or its head are responsible for compliance monitoring.

THE GATEWAY SHARE

STOCK MARKETS

The year 2020, which was dominated by the coronavirus pandemic, will also become known for the international capital markets and their investors as the year of extremes in the history of the economy. Against the backdrop of positive economic forecasts, the German blue-chip index DAX soared to a record-high of 13,795 points on February 17, 2020. This increase then came to an abrupt halt when the markets were hit by more and more news of the spread of the coronavirus also in Europe. This culminated in an unprecedented plunge of the DAX to a low for the year of 8,256 points on March 16, 2020, representing a decline of the German blue-chip index of around 40 per cent in just four weeks. Other important indices were affected to a similar extent as the U.S. equity index S&P 500 lost around 35 per cent between February 19 and March 23, 2020, while the EURO STOXX 50 suffered a loss of approximately 40 per cent at the peak of the first coronavirus wave.

The Federal Republic of Germany – like many other countries around the globe – implemented comprehensive measures as regards social distancing in March 2020 and, therefore, went into its first lockdown. The measures that were extremely restrictive for many segments of the economy were accompanied by a number of assistance and emergency programs which subsequently helped equity markets to recover.

The following months continued to be characterized by strong volatility on the markets and, apart from infection numbers, trends such as a negative oil price in April 2020 triggered uncertainty and framework conditions that were unique in history. However, the countries' efforts such as the optimization of the short-time working rules in Germany, joint European campaigns such as the European Central Bank's pandemic emergency purchase program and signs from the United States, e.g. the implementation of a two trillion dollar stimulus package in connection with the continued low interest rate policy, went along with significantly declining infection numbers in large parts of Europe during spring and summer (see also the chapter "Economic framework"). Overall, these factors resulted in dynamic recovery effects on the stock exchanges already in the second quarter of 2020 and at the beginning of the third quarter. For example, in mid-July 2020, the DAX finally surpassed 13,000 points again.

The further course of the third quarter of 2020 showed a differentiated picture on the markets, as infection figures again rose in many countries and uncertainties surrounding Brexit and the U.S. elections scheduled for November exacerbated the general coronavirus fears. This resulted in merely subdued increases or wait-and-see range-bound movements in most major indices. In the closing quarter of 2020, several positive news finally created a buoyant mood on the international stock markets, and even renewed local lockdown measures could not change this trend.

The highlights of the positive news in early November 2020 were success stories of BioNTech and Pfizer as regards their joint vaccine development, which sparked hopes for a return to normality and thus economic recovery. The turmoil between Republicans and Democrats following the U.S. elections only had little impact on the stock markets, while Joe Biden's looming victory raised hopes in Europe of a normalization of transatlantic relations, and in the opinion of many market observers an easing of the conflict between the United States and China under a future Biden administration was deemed at least conceivable. Some of the major U.S. indices already reached new highs in November 2020, with the U.S. Dow Jones Industrial Average breaking past the 30,000-point mark for the first time in its history on November 24. In Europe, news of an agreement on the Brexit trade deal between the UK and the EU were another highlight of a positive final quarter. In Germany, the DAX not only exceeded its pre-pandemic level in December 2020, but even marked a new all-time high of 13,903 points on December 29, 2020.

Although German real estate stocks were unable to escape from the scenarios described above in 2020 as a whole, it was primarily the owners of residential housing that recorded a significantly faster recovery than the market as a whole. The two largest German residential real estate stocks, Deutsche Wohnen and Vonovia, for example, already reached their pre-pandemic levels in May and June 2020, respectively. Companies with a focus on residential real estate holdings recovered more rapidly overall than those with an exposure in the areas of office, retail and hotel properties as well as in project development. Overall, the recovery in German real estate equities was faster than across Europe. The FTSE EPRA Nareit Germany Index, which lost around 14 per cent of its value in the first quarter of 2020, more than offset its losses due to the coronavirus pandemic reaching new highs early in September 2020; the index closed 2020 with a gain of approximately 12 per cent. European real estate indices, such as the FTSE EPRA Nareit Developed Europe Index or the FTSE EPRA Nareit Europe Reits Index, were still below their pre-pandemic levels as of the end of 2020.

The consolidation on the German commercial and residential real estate market continued in 2020. In February 2020, the French company Covivio announced its intention to acquire the Frankfurt-based office real estate company Godewind Immobilien AG. The merger of the listed residential real estate companies Adler Real Estate and Ado Properties and of the developer Consus to form the new Adler Group was driven forward in 2020, as was the merger between TLG Immobilien and Aroundtown. Deutsche Wohnen strengthened its new construction division with the Munich-based project developer ISARIA, while competitor Vonovia acquired Bien-Ries from Hanau, another residential property developer not listed on the stock exchange.

A positive sign was the inclusion of the real estate stock Deutsche Wohnen into the German blue-chip index on June 22, 2020. The fact that now two residential real estate companies are part of the DAX is expected to raise the awareness of international investors as regards the German real estate sector.

PERFORMANCE OF THE GATEWAY SHARES

The shares of Gateway Real Estate AG started the year 2020 with an opening price of €4.40 and was able to distinguish itself through relative stability in the sector, especially during the outbreak of the coronavirus pandemic in Europe. In mid-March 2020, when most of the German real estate stocks were already declining considerably, GATEWAY maintained its share price around the €4 threshold without any significant price fluctuations. During April, however, GATEWAY could not completely withstand the general negative trend as the share lost around 15 per cent in value in the second quarter 2020. Minor recovery effects in the third quarter were offset by renewed setbacks in the final quarter.

During the reporting period, the price range of the GATEWAY shares on the Xetra trading platform was between €2.94 and €4.40. On December 30, 2020, the GATEWAY shares closed at a price of €2.98. For the year 2020 as a whole, the GATEWAY shares therefore lost more than 30 per cent of their market value. However, it has to be taken into account that GATEWAY distributed a dividend of approximately €56 million to the shareholders of GATEWAY in May 2020; this corresponds to €0.30 per qualifying no-par value share (see section below).

GATEWAY's market capitalization amounted to more than €556 million at the end of the fiscal year 2020.

ANNUAL GENERAL MEETING AND DIVIDEND PAYMENT

The Annual General Meeting of Gateway Real Estate AG was held on May 12, 2020, for the first time as a virtual general meeting due to the COVID-19 pandemic. The legal basis for this measure was established by the German legislator through the introduction of the Act on Corporate, Cooperative, Association, Foundation and Residential Property Law to Combat the Effects of the COVID-19 Pandemic. The Management Board and the Supervisory Board did not decide to postpone the Annual General Meeting, but resolved to make use of the possibility to hold a virtual general meeting and above all to maintain, as planned, the dividend proposal for the successful year 2019 and the related resolution adopted by the General Meeting.

All resolution proposals made by the Management Board and the Supervisory Board were ultimately approved by a large majority of the Annual General Meeting. The important resolutions included the formal approval of the actions of the Management Board and the Supervisory Board for the fiscal year 2019, amendments to the Company's Articles of Association regarding a simplified execution of Supervisory Board meetings and general meetings as well as the election of the auditor of the consolidated financial statements for the fiscal year 2020. Further information and details on the voting results of the Ordinary Annual General Meeting 2020 can be found on the Company's website under: https://gateway-re.de/en/investor-relations/annual-general-meeting/annual-general-meeting-2020/

Another important resolution was the proposal to use the distributable profit for the fiscal year 2019 in the amount of €116,650,321.65 for distribution of a dividend of €0.30 per qualifying no-par value share (a total of €56,029,212.00) and to carry forward to new account the residual amount of €60,621,109.65. This resolution was also passed by a large majority so that the dividend was paid to the shareholders on May 15, 2020.

SHAREHOLDER STRUCTURE

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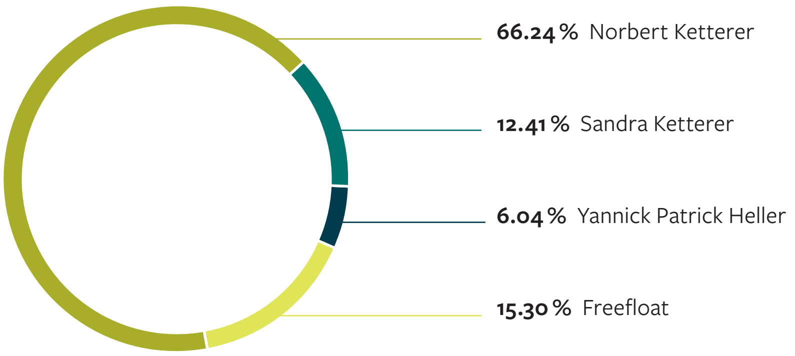
SHAREHOLDER STRUCTURE AS AT DECEMBER 31, 2020



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SHARE INFORMATION

ISIN / WKN	DE000A0JJTG7/A0JJTG
Number of shares	186,764,040
Share capital	€186,764,040.00
Ticker symbol	GTY
Market segment	Regulated market (Prime Standard)
Subsector	Real estate
Trading venues	XETRA, Frankfurt am Main, Duesseldorf, Munich, Berlin, Hamburg, Stuttgart
Designated Sponsor	Credit Suisse
Opening price (January 2, 2020)	€4.40
Closing price (December 30, 2020)	€2.98
Highest price (January 3, 2020)	€4.44
Lowest price (October 20, 2020)	€2.94
Market capitalization (December 30, 2020)	€556,6 million

INVESTOR RELATIONS ACTIVITIES

The coronavirus pandemic in the fiscal year 2020 also had an impact on our investor relations activities. Nevertheless, the Company participated in the following three investor conferences:

June 18, 2020	Quirin Champions 2020
October 19, 2020	European MidCap Event 2020
November 17, 2020	Deutsches Eigenkapitalforum 2020

GROUP MANAGEMENT REPORT OF GATEWAY REAL ESTATE AG

GROUP MANAGEMENT REPORT OF GATEWAY REAL ESTATE AG

1. FUNDAMENTAL INFORMATION ON THE GROUP

1.1 BUSINESS MODEL

Gateway Real Estate AG (in the following also referred to as "GATEWAY", "Company" or "Group", in each case referring to the GATEWAY Group as a whole) is a leading listed developer of residential real estate in Germany with a market capitalization of more than €556 million (as of December 31, 2020). Established in 2006, GATEWAY and its subsidiaries can look back on extensive expertise in the German real estate market and are currently (as of December 31, 2020) developing real estate with a gross development volume (GDV) of approximately €5.5 billion.

In this context, GATEWAY focuses on Germany's top 7 cities – Berlin, Duesseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart – as well as on selected high-growth areas and covers all of the important steps in the value creation chain of a development project with its own in-house teams. In all of its project developments, GATEWAY pursues the strategy of generating attractive margins and, at the same time, minimizing the project development risk by means of a detailed process management. In fiscal year 2020, the Management Board and the Supervisory Board jointly decided to build residential real estate in future also for the Company's own portfolio (build-to-hold). In the context of this extended corporate strategy, GATEWAY increasingly seeks to develop residential real estate for long-term holding and administration to generate sustainable rental revenues. Accordingly, the Standing Assets and Residential Properties Development segments will be expanded further in the medium term. According to the ad hoc release dated February 3, 2021, GATEWAY sold all of its shares in Development Partner AG as well as in three further project companies, thus discontinuing all of its activities in the Commercial Properties Development segment in order to fully focus on the residential properties business in future.

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

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

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

In this respect, GATEWAY continues the existing portfolio management business in relation to commercial real estate in order to diversify risks.

EMPLOYEES OF THE GATEWAY GROUP

As of December 31, 2020, the GATEWAY Group employed 55 (previous year: 47) and on average 55.4 (previous year: 46.6) employees in addition to the Management Board.

The commitment and the extensive technical and professional expertise of the employees and managers are major prerequisites for GATEWAY's success, which is why the Group has set itself the goal of retaining employees in the long term and creating an attractive working environment. In addition to competitive remuneration models in line with market conditions, these also include external and internal trainings and advanced training courses geared to the needs of the respective employees for individual support and development. By providing a modern, digital work infrastructure, GATEWAY wants to enable its employees to work from their home office (telecommuting) and thus also wants to promote a reasonable work-life balance. This also had the effect that GATEWAY could continue its business operations during the coronavirus pandemic without disruptions and was not subject to any downtime. At the same time, GATEWAY offers its employees at its modern office premises in The Squaire in Frankfurt am Main (as well as in the new offices in Berlin) a wide range of measures to improve employee health and satisfaction as well as to create a sense of team spirit. These include daily fresh fruit, free drinks such as coffee or ergonomic office seating to prevent spinal diseases. GATEWAY is characterized by flat hierarchies and a flexible model of working hours and flexitime.

1.2 MANAGEMENT SYSTEM

As a young publicly traded company (IPO in 2019), GATEWAY is continuously developing its internal management system with the aim of supporting sustainable corporate growth through planning, reporting and controlling processes. In this respect, GATEWAY distinguishes three segments: Standing Assets, Commercial Properties Development and Residential Properties Development.

— **Standing Assets**: This segment covers a profitable and diverse portfolio of existing properties. This portfolio comprises properties some of which were acquired prior to the acquisition of Development Partner AG in October 2018, and also includes reclassifications of former project developments which originally were intended for sale. The segment revenues primarily consist of rental income from the investment properties.

— **Commercial Properties Development:** The development activities for commercial properties are combined 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, Duesseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart) and on selected metropolitan areas such as Nuremberg. The Commercial Properties Development segment was discontinued upon the disposal of Development Partner AG as well as of three additional project companies in February 2021.

— **Residential Properties Development:** In the Residential Properties Development segment, the Group concentrates on development activities in selected metropolitan regions in Germany, normally cities with a population of at least 100,000, such as Berlin, Frankfurt am Main and Mannheim, and since the acquisition of two project developments in February 2021 also in Cologne and Dresden. The focus here is on the new construction of medium-sized apartment buildings for modern affordable living and mixed-use properties and real estate. So far, joint ventures with local project developers and general contractors were regularly established in this segment. In future, however, the Group wants to develop the majority of its assets on its own and also plans to transfer residential real estate developments into its own portfolio after completion.

The **internal management system** at GATEWAY essentially consists of the following components:

— Planning, process and risk management
— Project controlling including sensitivity analyses
— Structured management reporting
— Financial indicators and real estate industry control indicators

FINANCIAL PERFORMANCE INDICATORS

EBIT adjusted and consolidated profit before taxes are the most important performance indicators at the level of the Group as a whole. GATEWAY evaluates and controls the Company's profitability on the basis of these indicators. EBIT adjusted is defined by the Group as the operating profit plus the result from investments accounted for using the equity method.

The real estate performance indicator GDV (Gross Development Volume) is an important performance indicator for GATEWAY that the Company uses in connection with all development projects (residential properties, commercial properties and properties developed for the Company's own portfolio). The GDV is the gross development value, i.e. the expected value that a development property would achieve if sold or let normally on the open market to a willing buyer.

1.3 CORPORATE GOVERNANCE STATEMENT

The corporate governance statement in accordance with Sections 289f and 315d HGB for the Company and the Group is part of the Group management report. In the corporate governance statement, the Supervisory Board and the Management Board also report about the Company's corporate governance in accordance with Principle 22 of the German Corporate Governance Code. This section also includes the remuneration report.

The corporate governance statement is also available on the Company's website in the Investor Relations section under the following link:

https://www.gateway-re.de/en/investor-relations/corporate-governance/corporate-governance-report/

2. REPORT ON ECONOMIC POSITION

2.1 GENERAL STATEMENT ON THE REPORT ON ECONOMIC POSITION

The development of GATEWAY Group's operating business was very positive in the past reporting year 2020, thanks to another forward sale from development and the adjustment to the expanded corporate strategy by transferring the project developments in Augsburg and Hallbergmoos into the Company's own portfolio. In addition, the acquisition of a portfolio with a nationwide project development potential, mainly in the Frankfurt region, was completed upon the payment of the purchase price, so that the portfolio is now part of our holdings. The decrease in cash and cash equivalents is due to the payment of the dividend for the fiscal year 2019 and the repayment of loans. Equity increased slightly. GATEWAY assesses the economic, sociodemographic and industry-specific development in 2020 in Germany, and especially in the cities in which GATEWAY operates, as positive for the Group's future business activities. The consequences of the coronavirus pandemic on Germany's economy as a whole and the real estate industry cannot yet be finally assessed. However, GATEWAY certainly was able to reduce risks by selling the Commercial Property Development segment at the beginning of 2021 and will focus, in the future, exclusively on the residential business, which has had a positive outlook for the future in spite of the pandemic.

The measures to contain the virus have a significant impact on all sectors of the economy, international supply chains and consumption – both nationally and internationally. Despite the planned fiscal measures that have been implemented and might continue to be necessary to ease the financial burden on companies, additional considerable effects on the global and the German economy are expected. Reliable forecasts of how significant the effect on economic growth will be cannot be made at present due to the uncertain development of the pandemic over time.

2.2 ECONOMIC FRAMEWORK

2.2.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

In 2020, the impact of the worldwide coronavirus pandemic led to a historical economic downturn in Germany, Europe and around the globe.

These significant effects have left their mark on the macroeconomic indicators of the German economy already since mid-March 2020. According to the German Federal Statistical Office, gross domestic product (GDP) fell by 10.1% in the second quarter of 2020 compared with the first quarter of the year; this decline represented the strongest decrease since the quarterly GDP calculations for Germany were initiated in 1970 (adjusted for price, seasonal and calendar effects).

In the full year 2020, Germany's price-adjusted gross domestic product was 5.0% below the previous year's figure. Accordingly, Germany fell into recession after a 10-year period of growth. However, the economic decline was less strong than during the financial and economic crisis in the years 2008 and 2009, which saw GDP contract by 5.7%.

In the EU, the economic downturn in 2020 was even more severe. After a decrease of 11.4% in the second quarter of 2020 – the strongest reduction of the gross domestic product since the start of the Eurostat time series in 1995 – the third quarter was characterized by a strong recovery and growth of 11.5%. The fourth quarter of 2020 saw a slight decline of 0.5% over the previous quarter. After a first estimate of the annual growth rate for the full year 2020, the GDP in EU shrank by 6.4% (adjusted for seasonal and calendar effects). These preliminary GDP estimate published by Eurostat is based on incomplete data sources which need to be reviewed further (as of February 2, 2021).

According to the International Monetary Fund (IMF), the slowdown in global growth for 2020 is estimated at –3.5%, which is 0.9 percentage points higher than in the previous projection from October 2020. This reflects a stronger-than-expected economic recovery in the second half of 2020.

According to the German Federal Statistical Office, the inflation rate was –0.3% in December 2020 compared with the previous month. The inflation rate for the full year 2020 is 0.5% and is thus well below the target of 2.0% set by the European Central Bank (ECB) and deemed appropriate for a sound economic development. The annual inflation rate for the EU stood at 0.3% in December 2020, after 1.6% a year earlier.

According to the ECB (as of January 21, 2021), the interest rates on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and –0.50%, respectively.

2.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

For the first time since 2011, according to an initial estimate of the German Federal Statistical Office, Germany's population did not grow in 2020, but instead was flat at 83.2 million people. This is attributable to lower net immigration and a growing mortality rate along with a (probably) lower birth rate. For 2020, at least 980,000 deaths are expected. This is a significant increase compared to the previous years, which appears to be related to the coronavirus pandemic. Travel restrictions due to the coronavirus pandemic as well as the economic consequences in particular are also likely to have reduced migration in 2020.

By the end of 2019, the population had reached its current peak after a roughly nine-year growth period. Growth has already slowed markedly, however, since the immigration-related record in 2015 when the population increased by 1.2%. The increase in the population during the most recent years was exclusively attributable to a positive net migration.

The population trend in Germany is characterized by considerable regional differences. Overall, there is a west-east gap: While the population increased in all of the states of the former West Germany (except for Bremen and Saarland) between 2018 and 2019, the population declined in all of the new German states (excluding Berlin) with the exception of Brandenburg. In aggregate, the population in the states of the former West Germany (excluding Berlin) rose by 0.2%, while it fell slightly by –0.2% in the new German states. Growth, as measured in percent, was strongest in Berlin (+0.7%), Brandenburg, Bayern and Hessen (+0.4% each). There are currently no population data available for 2020 for most federal states. Berlin is an exception: After growth in 2019, the population remained unchanged in 2020. As with the overall German population, the impact of the coronavirus pandemic led to a significantly reduced international immigration. It was precisely this reduced immigration that was the reason for the strong growth of the German capital in recent years.

However, there is not only a gap between east and west but also between urban and rural areas: The A cities recorded an average population growth between 2018 and 2019 of 0.6% on average, which is significantly above the nationwide rate of 0.2%. The highest growth rates were achieved in Frankfurt am Main (1.4%) and Munich (1.2%). For the most cities, population data for 2020 are currently not available. Munich and GATEWAY's focus city of Leipzig, among others, are exceptions; their population figures rose by 0.1% and 0.6%, respectively, compared with the previous year. In both cities, growth is significantly lower than in previous years due to the coronavirus pandemic, given lower immigration and higher death rates. At the same time, the number of visitors to the local municipal and registration offices was limited due to the pandemic, and registration and recording changes were often delayed.

The above-average growth of the cities, especially until 2019, is due to the megatrend of urbanization. As of today, roughly 77% of the German population currently lives in cities. According to the Catella Market Tracker for the third quarter of 2020, urbanization has suffered a slight setback recently. This is due to rising rents and purchase prices in urban areas which force the population to move to the outskirts. In addition, improvements regarding the infrastructure in the outskirts mean that commuting to cities, whether for occupational or personal reasons, takes less and less time. This, in turn, leads to a higher willingness to become mobile. According to the survey, the current developments as regards the coronavirus pandemic will also have an impact on the view of the future use of residential space. Urban living, which is characterized by proximity to your fellow human beings and a smaller average living space, may be viewed increasingly critically. In contrast, living in the outskirts of a city could become more attractive in the future due to larger living areas and proximity to nature, and could hence see an increasing demand.

The number of households in Germany has been growing noticeably faster than the population for several years now. While Germany's population grew by 2.4% between 2014 and 2019, the number of households increased by 3.2%. This was primarily due to two developments: the increasing life expectancy and a growing trend toward single-person households. The share of single-person households has increased to more than 42% as of today. The German Federal Statistical Office expects that the share of single-person households will rise to approximately 45% by 2040.

2.2.3 ECONOMIC DEVELOPMENT IN GERMANY AND IN GATEWAY'S FOCUS CITIES

According to the Federal Statistical Office, Germany's (price-adjusted) GDP was down 5.0% over the previous year. This means that the German economy tipped into a deep recession in the year of the coronavirus crisis 2020, after a growth phase of ten years. Overall, the economic slump was somewhat less severe than during the financial and economic crisis, when economic output fell by 5.7%.

The coronavirus pandemic had a massive impact on almost all sectors of the economy in 2020. Production was drastically curtailed in some cases in both the service and manufacturing sectors. As a result, economic output in the manufacturing sector (excluding the construction sector) fell by 9.7% compared to 2019. This sector alone accounts for more than a quarter of the overall German economy. Above all in the first half of 2020, the industry was affected by the consequences of the pandemic, also due to the temporary disruptions in the global supply chains.

The impact of the coronavirus pandemic and the effects of containment measures were particularly strong, and emerged all of a sudden, in individual service sectors, some of which experienced historically sharp declines. In the trade, transport and hospitality sectors, price-adjusted economic output was 6.3% down on the previous year. While the brick-and-mortar retail business was affected in particular, online retail increased significantly. According to the Federal Statistical Office, sales revenue of travel agencies, tour operators and booking service providers generated in the period from January to September 2020 were 61% lower than in the same period of the previous year, adjusted for calendar and seasonal effects.

Exports and imports of goods and services as well as private consumption experienced a massive slump in 2020. Unlike during the financial and economic crisis, when consumption supported the economy, private consumer spending declined 6.0% in 2020, more strongly than ever before. By contrast, government spending was increased during the crisis in the reporting year. One of the driving factors underlying this was the procurement of protective equipment.

German foreign trade was hit particularly hard by the pandemic. Exports fell dramatically by 9.9% in 2020, while imports dropped strongly by 8.6%. This was the first decline since 2009.

The construction industry, on the other hand, was one of the few sectors that held up well during the crisis and actually grew by 1.4% compared to 2019.

In line with GDP development, the consequences of the coronavirus pandemic can also be seen on the German labor market. After the number of employees subject to social insurance contributions had experienced constant growth since 2009 and reached a new high of around 33.82 million people (adjusted for seasonal effects) in February 2020, the number fell to around 33.37 million people until May 2020. Following this sharp decline in the first lockdown, employment subject to social security contributions stabilized during the remainder of the year. According to projections by the German Federal Employment Agency, 33.62 million people were registered as employees in November. This represents a decrease of 76,000 people, or 0.2%, compared to the previous year. In February, though, the number of employees had surpassed the previous year's figure by 422,000, or 1.3%. Above all, the extended regulations on short-time work are likely to have prevented layoffs among employees subject to social security contributions. However, while the number of employees subject to social security contributions remained stable over the course of the year, people in marginal employment and self-employed persons were affected in particular.

Labor market statistics are currently available for the cities and districts for the period until June 2020. In GATEWAY's focus cities (A cities plus Leipzig and Augsburg), the number of employees subject to social security contributions also declined from December 2019 to June 2020. The decline amounted to 1.5%, which represents a stronger decrease than the average for Germany overall in the same period (–1.2%). Cologne and Frankfurt am Main recorded the strongest decline (–2% each).

As a result of the pandemic, the unemployment rate grew significantly across Germany as a whole. The average was 6.3% in July 2020, i.e. 1.3 percentage points higher than in July 2019. Subsequently, the unemployment rate decreased slightly and stood at 5.9% as of December 2020, an increase by 1.0 percentage points compared to December 2019. In GATEWAY's focus cities, the increase was even more significant: from an average of 5.7% in December 2019 to 7.4% in December 2020. The highest levels were recorded more recently in Berlin (9.7%) and Cologne (9.2%). Since September 2020, the unemployment rate has been declining again, resulting in an annual average of 5.9% for Germany as a whole and a higher rate of 7.2% for GATEWAY's focus cities for 2020.

Germany's inflation rate for 2020 was 0.5%, according to the Federal Statistical Office, and is thus well below the target of 2.0% set by the European Central Bank (ECB) and deemed appropriate for a sound economic development. One of the reasons for the lower rate was the temporary reduction of value-added tax rates. This measure, which was part of the German government's stimulus package, was implemented as of July 1, 2020 and led to muted consumer prices in the second half.

2.2.4 DEVELOPMENT OF REAL ESTATE MARKETS

According to the Investment Market Overview published by JLL, the transaction volume of the German real estate market amounted to €81.6 billion in 2020, €10.2 billion, or 11%, below the previous year's level. However, the number of individual and portfolio transactions recorded in 2020 (1,700) exceeded the 2019 figure.

Office market

In 2020, a total of €24.5 billion were invested in office properties. This represents a decline of around €12.2 billion, or by one third, compared to 2019. The share in the total investment volume fell from 40% to 30%. This means that the office asset class for the first time is below the living segment. In view of the crisis, investors adopted a risk-averse stance and turned to products that were resilient to crisis, such as residential real estate, logistics, retail properties with grocery stores, and core office properties. Uncertainty about the extent to which a potential economic recession and the trend toward working from home would lead to a drop in demand for office space in the medium and long term caused investors to be reluctant, particularly in the second and third quarters of 2020. However, confidence in the asset class seems to have returned, with 41% of the year's volume having been generated in the last quarter.

The coronavirus crisis has put an end to the ten-year positive trend on the labor market, at least for the time being. The trade, transport, hospitality and business services sectors in particular have seen losses in employment.

The downturn in the economy in the wake of the crisis has had a significant impact on demand for office space, according to the JLL Office Market Overview. While more than 4 million sqm of office space was still leased or pre-let in the A cities of Berlin, Duesseldorf, Frankfurt am Main, Hamburg, Cologne, the Munich region and Stuttgart in 2019, space take-up fell by more than a third to 2.67 million sqm in 2020. The restraint in the market primarily affects large-scale leases. In 2020, a total of 32 contracts were concluded as regards properties with a space of 10,000 sqm or more. In terms of the number of deals, this is a decline of 43% compared to 2019.

Demand more than halved in Stuttgart, from 319,000 sqm to approximately 140,700 sqm. Thus, the state capital of Baden-Württemberg, has fallen back to the last place, even behind Cologne, which held the last spot in the previous year. The decline is a bit more moderate in Berlin and Munich, falling 25% each. The German capital Berlin holds the top spot among the A cities with 745,000 sqm.

As a result of the restraint in terms of new lettings, vacancies in the A cities increased overall by 23%, from 2.85 million sqm to 3.51 million sqm. The rise in the vacancy rates was particularly strong in Munich (+1.2 percentage points) as well as in Berlin and Duesseldorf (+1.0 percentage points each). However, both Berlin and Munich have vacancy rates of below the 4% threshold. In Hamburg, the volume of vacant office floor space has even diminished slightly, and the vacancy rate remains at 3.0%. In Stuttgart, the rate actually decreased from 2.3% to 2.1%.

In 2020, approximately 1.45 million sqm of office floor space were completed and thus launched to the market – 29% more than in the preceding year 2019. Around 84% of the space was subject to pre-letting so that only 232,000 sqm were available as at the date of completion. Construction activity continues to be gaining momentum. For 2021 and 2022, space of around 4.5 million sqm is currently under construction or in the planning stages. 50% of the planned space or space under construction have already been pre-let, according to the JLL Office Market Overview.

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DEVELOPMENT OF THE VACANCY RATE ON THE A CITIES OFFICE MARKET

in %	2020	2019
Berlin	2.8	1.8
Duesseldorf	6.8	5.8
Frankfurt am Main	6.1	5.5
Hamburg	3.0	3.0
Cologne	2.6	2.2
Munich region	3.5	2.3
Stuttgart	2.1	2.3

Source: JLL

Despite rising vacancy rates and declining leasing activity, the level of prime rents in the A cities has remained unaffected so far. While Duesseldorf, Frankfurt am Main, Cologne and the Munich region have remained flat, Berlin, Hamburg and Stuttgart recorded further increases. Frankfurt am Main continues to have the highest rent levels (€41.50 per sqm), closely followed by Munich with €41.00 per sqm. At €38.00 per sqm, Berlin only slightly misses the 40-euro threshold. The largest price increase was recorded in Hamburg, climbing from €29.00 to €31.00 per sqm. This shows that the scarce supply of office space with state-of-the-art fixtures and furnishings, despite the lower demand due to the coronavirus pandemic, obviously acts as a buffer for a direct response of rental prices.

In Augsburg, one of the B cities where GATEWAY is active with large project developments, the prime rent rose between the first quarter of 2019 and the first quarter of 2020 by 3.5%, from €14.50 per sqm to €15.00 per sqm. The prime yield declined by 0.6 percentage points to 4.9% in the same period. With existing office space of approximately 1.4 million sqm, Augsburg has been characterized up to now by a relatively small office market for a city of almost 300,000 inhabitants. However, the high pre-let rate of 50% as regards new building projects prior to the outbreak of the coronavirus pandemic was proof of a stable demand.

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DEVELOPMENT OF THE PRIME RENTS ON THE A CITIES OFFICE MARKET

in €/sqm	2020	2019
Berlin	38.00	37.00
Duesseldorf	28.50	28.50
Frankfurt am Main	41.50	41.50
Hamburg	31.00	29.00
Cologne	26.00	26.00
Munich region	41.00	41.00
Stuttgart	25.50	24.50

Source: JLL

Retail market

Despite the restrictions on retail business introduced due to lockdown measures to combat the spread of the coronavirus, annual retail sales for 2020 show an increase (in real terms) of 3.9% compared to the previous year 2019. This indicates that the support measures taken by federal and state governments – temporary reduction of VAT from 19% to 16%, short-time working allowance, child benefit subsidy – have had an effect, at least in the area of private consumption. In this context, the store closures imposed to contain the coronavirus have further strengthened the trend toward online retailing, which has been gaining momentum anyway.

According to the analysis of JLL, the space take-up on the retail leasing market has decreased by a quarter in 2020 compared to the previous year 2019, reaching 384,800 sqm. Almost one third of new and first-time lettings was attributable to the seven A cities. The major sectors in terms of letting volume were gastronomy/food (30%), textiles (25%) and health/beauty (15%).

Unlike space take-up, investment volume increased, according to Colliers. At €11.4 billion, the investment volume was 12.0% higher than a year earlier, representing the third-best result of the decade. Pure food retailers have proven to be the drivers of investment activity. Due to the coronavirus crisis, discounters, supermarkets and hypermarkets experienced a special boom. However, specialty stores and specialty retail parks also attracted a larger investment volume than in the previous year. Commercial properties in prime locations as well as shopping centers, on the other hand, are among the worst performers during the pandemic. The importance of medium-sized and large cities as a destination for retail investments is increasing. While 33% of the total volume was invested in A cities in 2019, this figure declined to only 21% in 2020. The proportion of foreign buyers has risen again to 52% (2019: 39%).

The prime rents in the retail sector have remained unaffected by the coronavirus crisis so far, as the figures for 2020 remained constant in all seven A cities. At €330 per sqm, the highest levels continue to be recorded in Munich and Berlin.

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DEVELOPMENT OF PRIME RETAIL RENTS IN A CITIES

in €/sqm	2020	2019
Berlin	330	330
Duesseldorf	290	290
Frankfurt am Main	310	310
Hamburg	280	280
Cologne	250	250
Munich	360	360
Stuttgart	270	270

Source: JLL

According to data from vdpResearch, new contract rents for retail properties continued to decline in 2020. In the fourth quarter of 2020, the index score was 1.4 percentage points below the figure recorded in the previous year's fourth quarter. For the full year 2020, the index score was down 1.8 percentage points, which means that the rents have declined for the second year in a row. The decrease has gained significant momentum compared with the previous year when the index score was down 0.3 percentage points.

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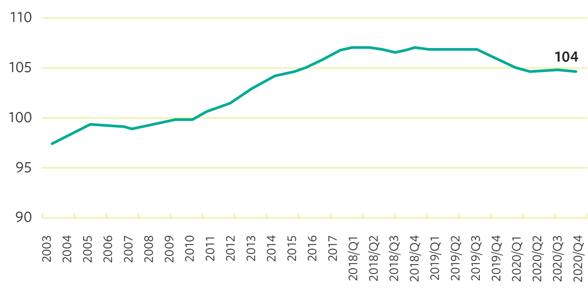
INDEXED DEVELOPMENT OF NEW CONTRACT RENTS FOR RETAIL PROPERTIES IN GERMANY



Source: vdpResearch (index: 2010 = 100)

Contrary to past years, prime yields for downtown commercial properties are characterized by an initial upward trend. Accordingly, prime yields in Duesseldorf, Cologne and Stuttgart rose by 0.1 percentage points, while those in Berlin, Frankfurt am Main, Hamburg and Munich remained stable in 2020.

According to COMFORT, prime retail rents in top locations in Augsburg decreased marginally despite rising take-up. Prime rents declined from €65 to €55 per sqm in the size category of 80–120 sqm of space and from €35 to €30 per sqm in the size category of 300–500 sqm of space. Nevertheless, Augsburg is an attractive retail location. This is highlighted by the COMFORT High Streets Report, which ranks the city on place 18 among the most attractive retail locations of Germany.

Residential real estate market

Construction activity in Germany continues to be gaining momentum. According to the German Federal Statistical Office, a total of 293,002 new apartments were built in 2019, which is the highest number of completions since 2001. The number of building permits also remains on a high level. While 360,493 permits were granted in 2019, a total of 332,574 building permits were issued from January to November 2020. Persistent bottlenecks in the construction industry, exacerbated by disrupted supply chains and temporary site closures due to the coronavirus, are expected to further increase the construction backlog, i.e. apartments for which building permits have been issued but which have not yet been reported as completed. The construction backlog in 2019 amounted to 740,400 apartments.

Residential properties have proven to be a stable asset class during the pandemic and have evolved into a safe haven for investors. Funds in the amount of approximately €25.2 billion were invested in this type of use in 2020; this represents an increase of around €3 billion compared to 2019 and it is also the first time that the figure surpasses that for office property (€24.5 billion).

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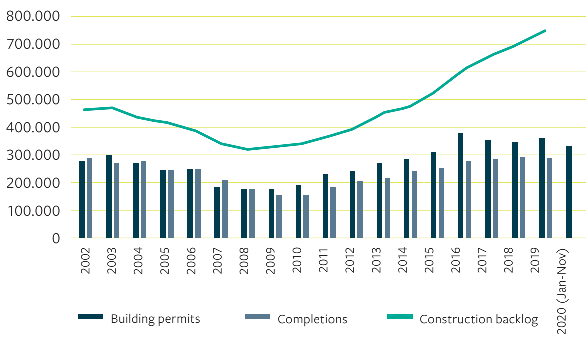
DEVELOPMENT OF BUILDING PERMITS, COMPLETIONS AND CONSTRUCTION BACKLOG IN GERMANY



Source: Federal Statistical Office (Genesis)

According to the vacancy index of CBRE-empirica for 2020, the vacancy rate for multi-story apartments was flat for the first time after twelve years of decline and remains at its record low of 2.8% nationwide. There are major differences between growth and shrinking regions. In the latter, the vacancy rate increased by 8.6% on average, while the vacancy rate in the growth regions have been declining for 13 consecutive years to now 1.9%. Munich and Frankfurt am Main have the lowest vacancy rates (0.2% each). A particular strong decline of the vacancy rate since 2014 can be observed in Leipzig where the rate has fallen by 3.2 percentage points to 2.8%, actually representing a decline by 50%.

In 2020, prices for owner-occupied residential property have risen somewhat more strongly than in 2019, according to vdpResearch. Compared with the fourth quarter in the previous year, the index score for the seven A cities rose by 10.8 percentage points to 201.4 in the fourth quarter of 2020. Thus, prices have more than doubled since 2010. Germany recorded an increase of 13.2 percentage points to 168.0.

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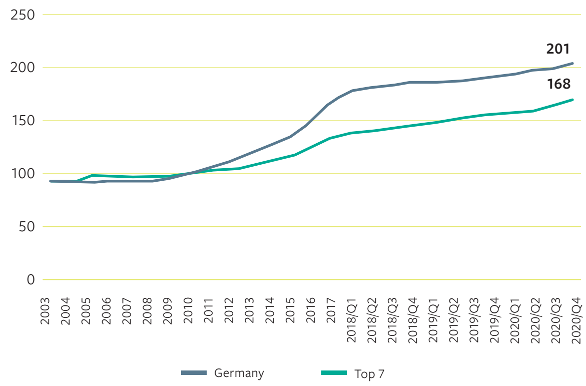
INDEXED DEVELOPMENT OF PRICES FOR OWNER-OCCUPIED HOUSING IN GERMANY AND THE A CITIES



Source: vdpResearch, (index 2010 = 100)

Price growth across Germany has already exceeded that of A cities since the third quarter of 2018. The reason for this is the high price level that no longer allows for large price jumps. Nevertheless, growth momentum has picked up speed despite the challenging economic environment due to the restrictions to contain the coronavirus. Hamburg made the biggest jump with an increase of 13.1 percentage points to an index score of 189.7, followed by Munich with an increase of 12.4 percentage points to 213.5. The strongest price developments since 2010 can be seen in Berlin where the index score climbed to 229.5 in the fourth quarter of 2020.

New contract rents have developed considerably less dynamically. The index score in Germany rose to 145.9 in the fourth quarter of 2020, which is 4.1 percentage points over the previous year's figure. Rents grew less strongly in the A cities, rising 2.7 percentage points to an index score of 167.1. The strongest performance came from rents in Hamburg where an increase of 6.2 percentage points was recorded, followed by Cologne (4.7 percentage points). Berlin was the only city among the seven A cities that did not record an increase, which is largely attributable to the introduction of the rental cap in February 2020.

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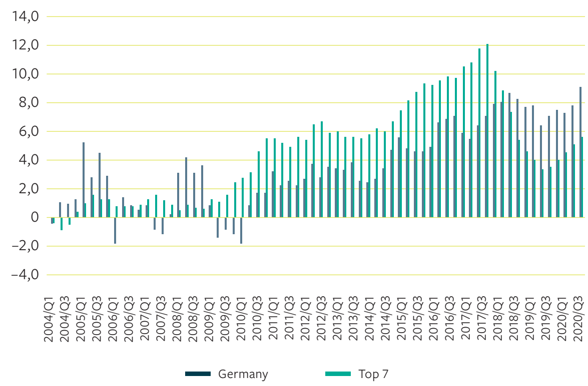
ANNUAL PRICE CHANGE FOR OWNER-OCCUPIED HOUSING IN GERMANY AND THE A CITIES (DEVELOPMENT COMPARED TO THE SAME QUARTER OF THE PREVIOUS YEAR IN PER CENT)



Source: vdpResearch

According to the forecast model of the German Economic Institute in Cologne (IW Cologne), more than 260,000 new apartments will be needed annually across Germany between 2021 and 2025. Although the number of completions has increased significantly in recent years, the annual demand of 341,700 apartments for the period 2016 to 2020, as calculated by IW Cologne, was still far from being achieved. Between 2016 and 2019 alone, a calculated deficit of just over 225,000 required apartments has accumulated. The deficit for the seven A cities amounts to around 72,000 apartments. Hamburg exhibits the highest success rate with a coverage of demand of 84%. In contrast, only 52% of the apartments required in Stuttgart were completed.

Coverage also remains on an extremely low level in GATEWAY's other focus cities of Leipzig and Augsburg. Between 2016 and 2019, 8,060 properties were completed in Leipzig; this represents a coverage of 48%, i.e. less than half of the forecast demand for apartments. The coverage rate is somewhat higher in Augsburg (64%); however, the deficit amounts to 2,500 apartments.

In addition to the traditional residential market, a new asset class has emerged from its niche existence in recent years: commercial housing. This category comprises serviced apartments, student flats, co-living projects and micro apartments. The projects vary in terms of furnishings, the services offered, the length of stay and the target group. This young asset class started with an investment volume of €27.5 million in 2010 and reached its preliminary peak of €1.97 billion in 2017. In the meantime, however, the coronavirus pandemic slowed down the development in this segment. Demand declined as a result of a smaller number of foreign students as well as travel restrictions for project staff and expatriates.

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DEVELOPMENT OF THE TRANSACTION VOLUME IN THE COMMERCIAL HOUSING SEGMENT (IN € MILLION)

Source: Savills

2.2.5 COMPETITIVE SITUATION AND MARKET POSITION OF THE GROUP

In fiscal year 2020, due to its diverse business activities in the individual markets and asset classes, GATEWAY competed with local, medium-sized real estate developers, municipal and community-owned companies, and listed real estate groups. Due to the lack of available projects, companies in the latter group in particular are increasingly pursuing a develop-to-hold strategy, i.e. project development for their own portfolio. For example, the DAX-listed group Vonovia SE, following the acquisition of the residential property developer BUWOG in 2018, closed the takeover of the Hanau-based developer Bien-Ries in April 2020. Shortly before that, in March 2020, Germany's second-largest residential real estate group, Deutsche Wohnen, announced to strengthen its new construction division by acquiring the Munich-based project developer ISARIA. Moreover, Ado Properties, after already having acquired its competitor Adler Real Estate, initiated the acquisition of the project developer Consus Real Estate in June 2020.

However, in the past, GATEWAY did not primarily compare itself with the large listed portfolio holders, such as Deutsche Wohnen or LEG, who are building up their own development segments alongside their standing assets business and who are not primarily active in office property development. Instead, GATEWAY considered primarily listed German-speaking companies with a development focus as its competitors in the narrow sense.

The group of competitors above all includes the SDAX-listed Instone Real Estate Group AG with a market capitalization of around €987 million as of December 31, 2020.

In addition, there are some smaller listed project development companies such as Eyemaxx Real Estate AG, which is listed on the regulated market (General Standard) of the Frankfurt Stock Exchange, although it only had a market capitalization of around €34 million at the end of 2020. Both companies strongly focus on residential real estate. Also worth mentioning is UBM Development AG, which is listed in Austria but has a strong presence in Germany and is active in office development, with a market capitalization of around €287.7 million at the end of 2020.

With a market capitalization of more than €556 million as of December 31, 2020, GATEWAY is one of the top developers listed on the stock exchange. After the outbreak of COVID-19 pandemic in Germany in the spring of 2020 and the negative impact of this development on the stock markets, the listed developers mentioned above suffered heavy price losses and thus also a significant reduction in their respective market capitalization, a development which also affected GATEWAY.

As a result of the sale of Development Partner, GATEWAY discontinues its activities in the Commercial Properties Development segment and will focus on residential real estate in future. As a result, from fiscal year 2021 onwards, companies such as UBM Development AG will no longer be among GATEWAY's competitors due to their focus on office project developments, whereas large listed residential property companies, with their own project development activities, can be regarded as being GATEWAY's competitors in the future.

2.3 BUSINESS DEVELOPMENT

The fiscal year 2020 was dominated by the outbreak and the spread of the COVID-19 pandemic. Nevertheless, GATEWAY was able to meet the forecast communicated for the full fiscal year 2020. The development project in Augsburg, one development project in Berlin as well as one portfolio with a nationwide project development potential, mainly in the Frankfurt region were closed. Another project development in Duesseldorf was sold as part of a forward sale. In addition, GATEWAY sold one project development in Hamburg through a company accounted for using the equity method. To implement the Company's positive growth strategy, GATEWAY placed another bond tranche in the amount of €26.2 million at the beginning of July 2020.

Furthermore, the corporate strategy was expanded in the fiscal year 2020. The Company will seek to step up the development of residential properties and to hold and manage these also in the long term in order to generate sustainable revenues (build-to-hold).

2.4 FINANCIAL PERFORMANCE, FINANCIAL POSITION, AND CASH FLOWS

2.4.1 FINANCIAL PERFORMANCE

In the fiscal year 2020, the Group of Gateway Real Estate AG generated revenue in a total amount of €55.5 million (previous year: €94.4 million). Revenue primarily comprises an amount of €22.5 million from a forward sale of a development project in Duesseldorf, which was newly concluded in the first half of 2020, as well as further work toward completion in relation to two forward sale agreements of two development projects in Duesseldorf in the amount of €10.8 million (previous year: €10.2 million) and in Cologne in the amount of €9.8 million (previous year: €48.6 million), both of which were entered into in the second half of 2019. Additionally, revenue from lettings in accordance with IFRS 16 amounted to €8.5 million (previous year: €23.0 million).

Gross profit amounted to €204.7 million (previous year: €413.2 million), which, in addition to the revenue mentioned above, comprises changes in inventories of finished goods and work in progress of €144.9 million (previous year: €221.5 million) – largely consisting of newly acquired and transferred project developments, capitalized construction work as well as the disposals in connection with the forward sales entered into in 2020 in relation to the project development in Duesseldorf – and other operating income in the amount of €4.3 million (previous year: €97.3 million). In the previous year, above all, sales proceeds from sold projects as well as from the sale of investments accounted for using the equity method resulted in a correspondingly higher gross profit.

The costs for raw materials and consumables used decreased significantly by €85.0 million over the previous year to €162.5 million and mainly consist of the construction costs of the inventory properties (€57.1 million; previous year: €25.4 million), acquisition costs for land (€100.1 million; previous year: €209.5 million) as well as management costs for the rented properties (€5.3 million; previous year: €12.7 million). The lower costs for raw materials and consumables used are primarily attributable to the higher acquisition volume in the previous year. The employee benefits expense declined slightly by €0.3 million to €9.3 million, thus almost reaching the prior-year level.

The fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale rose by € 108.6 million to € 129.1 million and are based on an external valuation of all standing asset properties as of December 31, 2020. The significant increase results from the transfer of two projects in Augsburg and Hallbergmoos to the Company's portfolio and the measurement at fair value in accordance with IAS 40. In the context of the extended corporate strategy, GATEWAY increasingly seeks to develop residential real estate for long-term holding and administration. Deferred income taxes also increased in line with the fair value changes.

Other operating expenses amounted to €22.5 million (previous year: €27.0 million) and primarily include loss allowances on assets in the amount of €10.5 million. They also comprise the expenses for the compensation payment for silent partnerships as well as legal and consulting costs and accounting and closing costs. The higher expenses in the previous year (€+4.5 million) were caused by the initial public offering. In 2020, GATEWAY achieved an overall operating profit of €138.7 million (previous year: €149.0 million).

Net finance costs amounted to €–22.0 million (previous year: €–17.2 million) and include finance costs of €28.1 million (previous year: €29.6 million), mainly resulting from borrowings to finance development projects as well as standing assets. The decline in finance costs is largely due to the refinancing and redemption of higher interest loans. The finance costs are offset by results from associates in the amount of €3.8 million (previous year: €9.9 million) as well as finance income of €2.7 million (previous year: €2.5 million). The slight increase in finance income in 2020 is primarily the result of the interest on outstanding purchase price receivables. The decrease of the result from associates by €6.1 million compared to the previous year is attributable to further planned disposals of investments accounted for using the equity method.

Earnings before tax (EBT) amounted to €116.7 million (previous year: €131.8 million). After deducting income taxes of €26.9 million (previous year: €4.8 million), consolidated profit for the full year amounted to €89.8 million (previous year: €127.0 million). This corresponds to basic earnings per share of €0.48 (previous year: €0.69) and diluted earnings per share of €0.48 (previous year: €0.69). The EBIT adjusted amounted to €142.4 million (previous year: €158.9 million).

2.4.2 FINANCIAL POSITION

The GATEWAY Group's total assets increased from €1,040.0 million as of December 31, 2019 by 7.5% or €77.6 million to a total of €1,117.6 million as of December 31, 2020.

In terms of assets, the increase was mainly attributable to investment properties which rose by €39.7 million due to the land acquisitions and construction activities in the year under review and by €114.8 million due to the adjustment of fair values. As a result of offsetting reclassifications of other financial assets to current assets, non-current assets amounted to €257.6 million as of December 31, 2020.

The balance of cash and cash equivalents amounted to €50.5 million as of December 31, 2020, representing a reduction by a total of €165.5 million during the fiscal year as a result of the repayment of loans and the distribution of a dividend. In addition, payments of purchase price installments led to a decrease in other current financial assets by €41.8 million to €28.5 million. In contrast, inventories rose significantly by €85.4 million to €667.0 million despite the reclassification to investment properties. This is primarily attributable to the intensified real estate project development activities conducted by the Group and the related new transfers of such project developments. However, current assets declined overall by €101.4 million to €860.0 million.

On the equity and liabilities side, the Group's non-current liabilities amounted to €197.2 million as of the reporting date (December 31, 2019: €361.5 million); the major portion of that amount is attributable to non-current financial liabilities in the amount of €146.3 million (December 31, 2019: €343.4 million). The decrease compared to the previous year is mainly the result of the redemption of higher interest loans and also the reduction of remaining terms to maturity as well as the presentation as current items. Otherwise, non-current liabilities would have increased slightly due to new project financings. Deferred income tax liabilities increased by €32.7 million to €47.8 million as a result of the higher fair values of investment properties and the related temporary differences.

Current liabilities totaled €560.6 million as of December 31, 2020 (December 31, 2019: €352.5 million). The major portion of that amount was attributable to current financial liabilities (€459.7 million; December 31, 2019: €272.6 million); the increase in current financial liabilities is primarily attributable to the reduction of the remaining terms of existing loans to less than one year. An amount of €68.6 million (December 31, 2019: €60.2 million) referred to trade payables that largely were incurred in connection with the Group's project developments. Other non-financial liabilities amounted to €17.2 million, up €11.7 million primarily due to the sale of a property held for sale.

The GATEWAY Group's equity as of December 31, 2020 amounted to €359.8 million (December 31, 2019: €326.0 million). The increase is largely the result of the positive consolidated profit, net of dividend payment, in the amount of €56.0 million. In terms of Group equity, the reversal through profit or loss of the unappropriated reserve of the Group parent company resulted in a transfer of €366.3 million between the capital reserve and retained earnings. Overall, the Group's equity ratio rose from 31.3% at the end of the prior year to now 32.2%.

2.4.3 CASH FLOWS

The cash inflows and outflows in the fiscal year 2020 overall led to a substantial decrease in cash as of December 31, 2020, primarily caused by cash flows from operating and financing activities.

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CONDENSED CASH FLOW STATEMENT

in € thousand	12/31/2020	12/31/2019
Cash flows from operating activities	–91,264	–216,205
Cash flows from investing activities	–1,429	126,903
Cash flows from financing activities	–72,949	239,426
Net decrease/increase in cash and cash equivalents	**–165,642**	**150,124**
Change in cash and cash equivalents due to consolidation group	146	–8,010
Cash and cash equivalents as of 01/01	216,045	73,931
Cash and cash equivalents as of the end of the period	50,549	216,045

The negative cash flows from operating activities were reduced by €124.9 million year on year and amounted to €–91.3 million in the fiscal year 2020. This development is largely the result of lower outflows for inventories. While these outflows amounted to €148.0 million in the year under review, the GATEWAY Group had reported outflows of €196.8 million in the previous year. Moreover, the GATEWAY Group recognized inflows from purchase price payments in relation to forward sales entered into in relation to three development projects in the amount of €92.3 million.

The negative cash flows from investing activities in the amount of €1.4 million largely include payments for investments in properties held for sale. Furthermore, in the first quarter of 2020, an outflow of liquidity in the amount of €15.1 million was reported due to the granting of a short-term loan which, however, was already repaid during the remainder of the first half. The significant decrease compared to the previous year resulted from purchase price payments received in the previous year for subsidiaries sold in the amount of €110.7 million.

The negative cash flows from financing activities in the amount of €72.9 million are due to the repayment of loans in the amount of €158.0 million and the payment of a dividend of €56.0 million. This was offset by new borrowings in connection with the acquisition of properties and the financing of development projects in a total amount of €116.9 million. In addition, the sixth tranche of the bond was drawn down in the amount of €26.2 million. In the previous year, in contrast, cash inflows from new financial loans considerably exceeded the outflows for repayments of loans. Further, the capital increase of €67.9 million finally led to a positive cash flow from financing activities in the amount of €239.4 million.

The net decrease resulting from the cash flows in 2020 described above totaled €165.6 million and offsetting changes due to the consolidation group amounted to €0.1 million, resulting in an overall decline in cash and cash equivalents by €165.5 million to €50.5 million as of December 31, 2020. As of the previous reporting date (December 31, 2019), cash and cash equivalents had amounted to €216.0 million.

As of year-end, financial liabilities amounted to €606.0 million (December 31, 2019: €616.0 million) and 76% (December 31, 2019: 44%) of the financial liabilities were current liabilities with a remaining term of up to 12 months.

The majority of the loans are at fixed interest rates. As in the previous year, the fixed-rate loans have an interest rate of between 1.55% and 20.0%. There are currently no financial liabilities denominated in foreign currencies, and neither were there any interest rate swaps or other stand-alone derivative financial instruments as of the reporting date.

In 2020, GATEWAY was able to meet its payment obligations at all times. Free liquidity amounted to €50.5 million as of December 31, 2020 (December 31, 2019: €216.0 million). Moreover, as of the reporting date, there are unutilized lines of credit from project financing in the amount of €216.5 million (December 31, 2019: €191.2 million).

Compared to the previous year, commitments and contingencies were entered into in the form of sureties and guarantees in a total amount of €8.5 million. However, the utilization is considered unlikely on the basis of the economic condition of the beneficiaries. See Note 7.2.

3. REPORT ON RISKS AND OPPORTUNITIES

3.1 RISK MANAGEMENT SYSTEM

In connection with its business activities, Gateway Real Estate AG is exposed to a number of general and specific risks that could jeopardize the implementation of its strategy and the achievement of corporate goals.

These risks arise from potential changes in the social, political, legal, economic, and technical framework. However, within the context of its management of risks and opportunities, GATEWAY also recognizes that changes may also present the possibility to identify new business opportunities and to generate additional economic success.

In order to identify, monitor and evaluate risks early, Gateway Real Estate AG has established its internal risk management system that accounts for the Group structure and the business model and complies with the applicable legal requirements set out in the German Stock Corporation Act (Aktiengesetz; AktG) and the Law on Control and Transparency in Business (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich; KonTraG). Since the beginning of the reporting year, the risk management system has also complied with the recommendations of the German Corporate Governance Code, with the exception of the matters mentioned in the declaration of compliance:

https://www.gateway-re.de/en/investor-relations/corporate-governance/declarations-of-compliance/ (German only)

Risk management in relation to the Company is understood to be a systematic, value-oriented or performance-oriented approach to the analysis and handling of risks and opportunities. Gateway Real Estate AG's company-wide risk management is based on the COSO framework (Enterprise Risk Management – Integrating with Strategy and Performance). The reference model is divided into the following five components:

- Governance and culture,
- Strategy and objectives,
- Implementation,
- Review and audit,
- Information, communication and reporting.

The risk management system provides for a continuous assessment and analysis of all risks and opportunities relevant for GATEWAY to be able to respond to any potentially harmful risks in a timely and appropriate manner and make the best possible use of any opportunities arising.

GATEWAY distinguishes the following categories in the context of risk classification:

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Assessment of probability of occurrence	Classification of probability of occurrence	Probability of occurrence (as a percentage, within one planning year)
1	unlikely	0–30%
2	possible	31–50%
3	likely	51–70%
4	almost certain	71–90%
5	certain	91–100%

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Evaluation of impact	Classification of impact	Share in EBIT adjusted	Impact in € thousand, rounded (based on EBIT adjusted of €150 million)
1	insignificant	0.0–0.1%	0–150
2	low	0.1–0.5%	150–750
3	medium	0.5–1%	750–1,500
4	high	1–3%	1,500–4,500
5	very high	3%–	4,500–

For more detailed information, please refer to the section "Internal control system and risk management system relating to the Group accounting process".

3.2 RISK REPORT AND INDIVIDUAL RISKS

The risks that Gateway Real Estate AG is exposed to in its business activities can be allocated on the one hand to the area of general economic and cyclical developments and on the other hand to industry-specific trends within the real estate sector. Such risks cannot be influenced by the Company itself, but are rather attributable to political and economic developments on a global and national scale. The development of inflation and interest rates, and of income and purchasing power of the population as well as changes in the legal and tax framework and in the balance between supply and demand on the real estate markets that are relevant for GATEWAY may have an impact on GATEWAY's business performance. Likewise, unexpected events such as the global outbreak of the COVID-19 pandemic in the last year may have an impact on GATEWAY's business performance.

In the following, we present individual risks that may have an impact on the financial position and performance of Gateway Real Estate AG's Group, with a distinction being made between property-specific and company-specific risks. The assessments of the probabilities of occurrence as well as the financial impact are made on the basis of the classifications in the matrix presented ("risk classification"). GATEWAY's assessment of the financial risk and the underlying potential loss amount is, unless otherwise noted, always based on a potential net loss amount, where countermeasures defined by GATEWAY and their effects are already taken into account in the calculation.

3.2.1 PROPOERTY-SPECIFIC RISKS

Transaction risk

As a developer of commercial and residential properties operating across Germany, with a future focus on the development of residential real estate in the top 7 locations and selected high-growth regions, the acquisition of new plots of land and development projects as well as partially the sale of completed projects are integral parts of GATEWAY's business activities. In the future, the Company will also build residential real estate also for its own portfolio (build-to-hold). The Company generates the major portion of its total operating revenue from the sale of development projects. If planned sales transactions do not materialize, the Company might incur unplanned subsequent costs on the one hand and there might be a loss of budgeted income on the other hand. If planned purchases of land plots or development projects do not materialize, the Company's earnings potential could also be reduced.

Risks might arise in connection with purchase contracts if contractual obligations are not complied with or if bad debts arise, which in turn may result in costs for the rescission of the relevant contracts as well as interest charges due to the later inflow of liquidity. Moreover, risks may arise in connection with the purchase of land plots and development projects if hidden defects related to the acquired properties are not identified prior to purchase, resulting in additional expenses, or when the purchase does not materialize and the Company has to bear the costs already arisen during the acquisition process.

Against the background of the current coronavirus pandemic, it is possible that planned transactions may be delayed or may not be completed in the intended manner. As a result, projected income may not be generated or may only be realized at a later date than expected. In order to avoid or minimize transaction risks, GATEWAY has determined internal rules for the conduct of due diligence reviews in the course of property acquisitions and is managed by an experienced management team which maintains close contact with other market participants such as appraisers and brokers. In terms of transaction risks, the Management Board generally assumes an unlikely probability of occurrence at the moment, while the development due to the coronavirus pandemic cannot yet be finally assessed to its full extent. If the corresponding risks were to manifest themselves, this would result in an insignificant to low financial impact for the Group.

Risk of loss of rental income
The risk of loss of rental income is the risk that the actual rental income is lower than the contractually agreed rents. GATEWAY seeks to minimize the risk of loss of rental income through a prudent selection of contracting parties. In addition, the usual hedging instruments are used, such as rent deposits or guarantees. Potential bad debts are addressed through a structured receivables management process. With regard to the risk of loss of rental income, the Management Board assumes a possible probability of occurrence and, if it does occur, expects a low financial impact.

Letting risk
The letting risk is the risk that space cannot be rented out initially or subsequently or not at an appropriate price. Rental prices are subject to economic volatility and market cycles that, on the one hand, have an impact on the demand for rentable space and on the other hand on the market rent levels. This may result in a lower letting rate and thus to a reduction of rental revenues. GATEWAY's Management Board considers the probability of occurrence with regard to the letting risk for the Group's current rental portfolio to be unlikely, and the potential loss is considered insignificant. Each standing asset is valued by an external appraiser once per year. However, there is the risk that the fair value so determined may be above a potential sales price and that a sale may result in a loss. Moreover, there is the risk that no investor is found for the assets intended for sale. Currently, the probabililty of occurrence is deemed unlikely and the potential loss amount, taking into account countermeasures, is considered insignificant.

Environmental risk and risk from contaminated sites
Within the context of the acquisition of properties, the Group is exposed to the risks that, based on applicable regulations, expenses may arise to prevent any threats to public safety and order when contaminated sites were not or not sufficiently known upon the acquisition of properties or when unforeseen adverse effects on the environment or potential threats to public safety and order arise in connection with project developments. If environmental risks or risks from contaminated sites should materialize, this could have material effects on GATEWAY's financial position and performance. The intensive tests for contamination and other hazards carried out by external experts at GATEWAY's development projects and acquired properties currently indicate an unlikely occurrence of any environmental or contaminated site risks. The Management Board therefore considers the probability of occurrence to be unlikely, with a medium financial risk.

Project development risk
A number of specific risks arise in connection with the project developments realized by GATEWAY. Firstly, these risks refer to the situation that the Group depends on external suppliers, service providers, and other contracting parties in the realization of its projects. As a result of a strong demand for construction services, the corresponding capacities may become scarce with the consequence that planning and construction services cannot be provided as scheduled. Secondly, the required approval procedures may be subject to delays or requirements or the required approval may be denied altogether, which in turn may delay or challenge the realization of a project and may cause additional costs or even the loss of planned income from the project. In addition, the start or completion of construction activities in the context of the realization of a project might be postponed and the construction costs might increase to an extent that cannot be compensated via the selling price. Project development risks may have a large impact on the financial position and performance of the GATEWAY Group. Against this backdrop, GATEWAY regularly carries out sensitivity analyses in connection with the calculation and supervision of projects, in which the effects of potential increases in construction costs are examined and suitable countermeasures taken to offset them. In the acquisition process, all development projects are evaluated and analyzed on an individual basis. The Management Board is closely involved in the supervision of costs and scheduling of each individual development project over the entire project period. On the basis of this close supervision, the Management Board currently only sees a possible project development risk in GATEWAY's current project portfolio, which, if it does occur, could have a low financial impact, after consideration of countermeasures.

3.2.2 COMPANY-SPECIFIC RISKS

Financing risk
In order to finance the acquisition of new plots of land and the realization of project developments, GATEWAY uses debt funding in a way that is usual in the industry and in a significant volume. The availability of borrowings and the terms at which such borrowings can be taken out depends to a large degree on the development of the capital market environment, in particular on the development of interest rate levels, but also on the situation in the banking sector and its regulatory requirements. In addition, risks might arise in connection with debt financing when arrangements agreed upon in financing contracts cannot be complied with. Against the background of the current coronavirus pandemic, it is also possible that,

due to internal risk reassessments and adjustments to financing policies, banks and other financing partners may take longer than before to review and decide on financing requests. This could lead to a delay in the purchase of land or the completion of projects for which the relevant borrowed funds are to be used. In the event that the coronavirus pandemic leads to a longer-lasting recession with related negative effects on the economy as a whole and the financial sector in particular, defaults by banks or other financing partners would also be possible. Financing risks may have a very large impact on GATEWAY Group's financial position and performance and, in an extreme scenario, could have a very high financial impact. GATEWAY addresses these risks by continuing to diversify its instruments and sources of financing. The Management Board currently considers the probability of financing risks to occur to be unlikely and, taking into account the measures initiated by GATEWAY, does not see any significant financial impact.

Liquidity risk
If the Company cannot meet its payment obligations when due owing to a lack of liquidity, this could have a very high negative impact on the business activities and the economic situation of the Company. Monitoring liquidity development and liquidity management is therefore a major focus of the overall corporate management. Based on this continuous monitoring and controlling of the liquidity situation, the Management Board currently considers the occurrence of liquidity risks to be unlikely, taking into account mitigating measures, and classifies the financial impact as insignificant.

Tax risk
Tax risks may result from tax-relevant matters that are not taken into consideration or from the filing of incorrect tax documents, but they may also be the result of changes in tax legislation. This can lead to higher tax burdens for the Company and hence additional outflows of liquidity. In addition, changes in the tax framework for the Company or its potential customers may exacerbate the Company's operating activities or make them less viable in economic terms. In order to manage the corresponding risks, management regularly analyzes the current tax situation and possible scenarios for the short to medium-term development in coordination with the Group's tax advisors. The Management Board currently assesses the probability of tax risks occurring as unlikely; if they did occur, such risks could have a low financial impact on the Group.

Risks arising from disclosure obligations and bans on insider trading
GATEWAY, as a publicly-traded company, is subject to increased disclosure obligations and regulations with respect to the ban on insider trading. The violation of disclosure obligations and bans on insider trading may result in significant sanctions imposed by the supervisory authorities. The probability of occurrence is currently considered unlikely by the Management Board; if such risks did occur, they could have a low financial impact on the Group.

Legislation risk
GATEWAY's business activities are influenced by changes in the legal framework and applicable laws and regulations. This concerns, in particular, building law and building planning law, but also legal regulations for other more or less closely related areas such as fire protection or environmental protection. Changes in the legal framework in these areas may result in higher expenses or lower income for the GATEWAY Group. In this case, the Management Board expects a low impact on the financial situation of the Group, but the probability of occurrence is currently assessed as possible. A specific legislation risk currently exists in Berlin, where following a broad public debate on affordable housing and rising rents, the Berlin senate adopted the Berlin Rental Act (Berliner Mietengesetz) initiated by the ruling coalition of Social Democrats, The Left Party and The Greens; the Rental Act introduces a rental cap and a prohibition of rent increases for a period of five years. New construction activities in the residential sector so far are not within the scope of the Berlin rental cap. The sociodemographic developments, strong dynamics of growth and the continuing demand for space in the face of insufficient new construction and low vacancy rates in existing properties (see chapter on the market environment/macroeconomic situation) do not currently give the GATEWAY Management Board any reason to reconsider its investment decisions in Berlin. In contrast to the development of commercial properties, the share of residential properties in Berlin does not play a significant role in GATEWAY's project portfolio; thus, the Management Board considers a risk for its business activities due to the developments in as unlikely and, accordingly, expects the financial impact to be insignificant.

Human resources risk
The economic success of GATEWAY largely depends on the availability of a sufficient number of appropriately qualified specialists and executives. To that extent, there is the risk that corporate goals cannot be achieved when employees are off sick for a longer time or leave the Company or that young professionals cannot be acquired to a sufficient extent so that existing vacancies cannot be filled. The spread and consequences of the novel coronavirus (SARS-CoV-2) have led many companies to restrict business trips even in Germany and recommend their employees to work from home in order to prevent further spread of the virus. There have already been cases of proven illnesses of employees where domestic quarantine has been ordered over the staff of entire departments or even entire companies. GATEWAY would be well prepared for such an emergency. GATEWAY employees have business mobile phones and laptops and the Company has set up a modern work infrastructure (e.g. video conferencing software), which allows a large part of the staff to work from home even at short notice. However, should a large number of employees be incapable of working due to sickness, this could also lead to delays in acquisition activities and in the realization of ongoing project developments. Against this background, the Management Board assumes an unlikely probability of occurrence and a low financial impact of possible human resources risks for the Group.

Litigation risk
There is the general risk that GATEWAY becomes involved in legal disputes within the scope of its business activities. In this context, the Company may incur additional expenses for legal advice, court costs, fines, or settlements.

On the level of Development Partner AG, the Company was involved in a total of six legal proceedings as of the end of the reporting year. The risk of being the defeated party in these proceedings is considered to be unlikely for the majority of the proceedings (the risk is considered likely for one litigation). However, the financial impact in case the Company is the defeated party is considered to be ranging from insignificant to low.

Image risk
GATEWAY is faced with expectations and requirements of various stakeholder groups within the context of its business activities. In this context, the Group may be presented in a negative way in the media or the public which may do harm to its image and may have a negative influence on its business activities. The probability of occurrence of an image risk is currently assessed as unlikely; the potential financial impact is assessed as insignificant overall.

IT risk
As part of its business activities and the corporate management of GATEWAY, the use of IT systems and the processing of data play a central role. There is the risk that data may be corrupted or are lost due to application errors or external interventions and that IT systems cannot be used as intended. The potential damage of the risk before measures are taken is considered very high, but the occurrence of this risk is considered unlikely. By means of an annual IT audit, comparisons of planned and actual outcome are carried out and specific measures are derived, so that after measures have been taken it is expected that the amount of damage would be insignificant.

3.2.3 OVERALL ASSESSMENT OF THE RISK SITUATION
The Management Board of GATEWAY has not identified any material influences arising from the above-mentioned risks (either individually or in their entirety) that may be a threat to the Company's continued existence or its business activities, and in view of the coronavirus pandemic and its impact which cannot yet be finally determined, the Management Board considers the risk situation as being unchanged from the previous fiscal year. The fundamental assessment of the developments in GATEWAY's focus cities regarding population development, excess demand and interest rate development has not changed, however, the extent and the effects of the coronavirus pandemic on the business development still cannot be conclusively assessed. The current economic and social situation is characterized by considerable uncertainty, which makes a reliable forecast impossible. The duration of the pandemic and the expected effects of a possible economic crisis are too uncertain. As a result of the insights gained from the coronavirus pandemic, the Company intends to focus increasingly on the development of residential real estate only in future. After the reporting date (December 31, 2020), the strategic development toward residential properties was advanced further at GATEWAY. On February 3, 2021, an ad hoc release was published in which the Company announced that it had entered into a share purchase agreement to sell all the shares of Development Partner AG as well as its shares in three additional project companies. As part of this ad hoc release, GATEWAY also announced that it would completely discontinue its activities in the Commercial Properties Development segment and would be focusing in future entirely on the Residential Properties Development segment.

3.2.4 REPORT ON OPPORTUNITIES
GATEWAY is one of the developers of commercial and residential properties in Germany with activities spread throughout the country and will in future focus its business activities on the project development of residential real estate across Germany in the top 7 locations and high-growth regions. The regional presence in various locations within Germany presents the opportunity to react to changes in the demand at specific locations and cyclical market developments within individual asset classes with more flexibility than would be possible if there was a stronger regional concentration or a restriction on a particular asset class. The strong dynamic of sociodemographic and economic growth in Germany's top 7 cities provides an opportunity for a further increase in demand for the property types developed by Gateway in these cities. On the other hand, according to their respective statistical offices, with growth of 6.1% or around 620,000 persons by 2030, the top 7 cities in Germany (Berlin, Hamburg, Munich, Stuttgart, Frankfurt am Main, Cologne, Duesseldorf) have significantly higher forecasts for growth than the national average. In terms of employment growth, the top 7 cities are also developing well above the national average (more details in the chapter on the market environment/macroeconomic situation). When acquiring new properties and marketing its project developments, the Group benefits from the opportunities arising from good market access, which is based on the extensive network, market knowledge and many years of experience of its management and specialist and executive staff. This also applies to the market-driven design and implementation of the individual projects and their tailoring to the supply and demand situation in the respective local markets. As a project developer, GATEWAY has the opportunity in the

current market environment, in contrast to companies with larger portfolios of standing assets, not to be affected by restrictive regulations on the rental housing market such as the Berlin rental cap, as this does not apply to new residential construction. In the financing area, there are additional opportunities resulting from the low-interest environment that is set to continue and that raises the expectation of continued very favorable debt financing options. As an exchange-listed company, GATEWAY may benefit from opportunities for equity and/or debt financing via the capital market. In particular, by further strengthening the equity base by means of capital increases, a better credit rating can be achieved compared to companies that do not have this option due to a lack of a stock market listing. This, in turn, facilitates access to debt financing or allows it to be raised on more favorable terms. The effects of the COVID-19 pandemic on the economy – including crises and recessions – also offer new opportunities for the GATEWAY Group in the procurement market in terms of property and land acquisition. Financial difficulties of other companies may open up opportunities to acquire properties in particularly attractive locations or subject to particularly favorable terms. In addition, the macroeconomic development, which is dominated by the pandemic, may result in a subdued increase of the purchase prices in certain local real estate markets or segments of real estate markets or in flat or falling price levels. This would also offer the opportunity to acquire properties at prices that are lower than originally assumed.

4. REPORT ON EXPECTED DEVELOPMENTS

4.1 TARGET ACHIEVEMENT 2020

As a result of the uncertain extent and effects of the coronavirus pandemic, the Management Board used three scenarios in the 2019 Group management report with different probabilities of occurrence, depending on the time necessary for a normalization, to the greatest extent possible, of economic activity. In an ad hoc release dated October 28, 2020, the Management Board specified its forecast and expected an EBIT adjusted of more than €137 million and earnings before taxes (EBT) of more than €110 million for the fiscal year 2020. With an EBIT adjusted of €142 million and earnings before taxes of €117 million, GATEWAY fully met its specified guidance.

4.2 ECONOMIC FRAMEWORK 2021

4.2.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

In 2020, the German economy tipped into a deep recession as a result of the coronavirus pandemic, after a growth phase of ten years. According to the German Federal Statistical Office, Germany's (price adjusted) GDP was down 5.0% on the previous year.

After growth of 8.5% had been achieved in the third quarter of 2020, the gross domestic product rose by only 0.1% in the fourth quarter of 2020 (adjusted for price, calendar and seasonal effects). Thus, the visible recovery process that started after the end of the first lockdown has largely come to a halt during the second lockdown.

The prolongation and reinforcement of measures continue to represent a burden for the German economy in the first quarter of 2021. According to the German Federal Ministry of Economic Affairs and Energy, the further development of Germany's economy now primarily depends on how quick the infection numbers, which rose during the winter months, can be contained again. A sustainable economic recovery is only possible when the coronavirus pandemic can be effectively contained. This is all the more true since mutations of the coronavirus have started to spread, and they are more infectious and increase the risk of being infected. In its report from January 2021, the Federal Ministry of Economic Affairs and Energy forecasts GDP to grow by 3.0% in the current year 2021.

In contrast, the CBRE Real Estate Market Outlook 2021 expects that after the first quarter of 2021 the recovery of the German and the global economy will continue with an increased momentum during the remainder of 2021. The reasons for this are the extensive fiscal measures and economic stimulus packages, a very accommodating monetary policy of the central banks designed with a long-term perspective, the initiated immunization campaigns worldwide, the recovering global trade as well as the trade agreement concluded between the EU and the United Kingdom. According to the report, Germany is set to demonstrate its resilience. The CBRE expects that the German GDP will grow by 3.1% in 2021 and that it continues to recover by a rate of 5.7% in 2022.

The ifo Institute assumes a recovery of economic output in the year 2021. It was assumed for the forecast period that the infection control measures applicable since November will remain in force unchanged until March 2021 and will be gradually eased afterwards. Against this backdrop, the (price-adjusted) gross domestic product is expected to rise by 4.2% in 2021. In 2022, the recovery will continue, albeit at a considerably lower rate compared to the previous year. Economic output is expected to grow by 2.5% over the full year. This projection takes into account that the annual production capacities, which are determined within the context of estimating potential output, will decline by approximately 1.4% or by almost €50 billion compared with the last estimate prior to the outbreak of the coronavirus pandemic in December 2019 as a result of the rising number of corporate insolvencies.

4.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

In July 2019, the German Federal Statistical Office issued a forecast as regards the population development in Germany which presents three different scenarios. With respect to the projection of the population figure, scenario 1 assumes a moderate development of the birth rate and the life expectancy and a low net immigration. According to this scenario, Germany's population would decrease by around 8.8 million people to approximately 74.4 million by the year 2060. Scenario 2 assumes a moderate development of birth rate, net immigration and life expectancy. This would result in a lower decrease of the population to just under 78.2 million people by the year 2060. Scenario 3 assumes a moderate development of birth rate and life expectancy and a high net immigration. After moderate growth, Germany's population would remain unchanged at around 83 million people in the year 2060.

In 2020, Germany's population did not continue to grow for the first time since 2011, according to an initial estimate of the Federal Statistical Office. This is attributable to significantly lower immigration and the rise in death rates due to the coronavirus pandemic.

Against the background of this development and using the medium forecast (scenario 2) of the Federal Statistical Office as a basis, the population is expected to rise to around 83.3 million by 2030, representing an increase of around 100,000 people or around 0.1% compared to the end of 2020. Accordingly, growth would be significantly weaker than in the years 2010 to 2019.

In this context, above-average population growth continues to be assumed in cities. Based on the figures in the year 2020, Berlin's population is expected to increase by 4.1% by 2030, while growth in Leipzig is even estimated at 6.4% in the same period. However, it has to be noted in this context that both projections for 2030 were made before 2020, and thus prior to the coronavirus pandemic. In 2020, Berlin's population figure was flat, and Leipzig achieved a growth rate of just 0.6%, which is lower than in the previous years.

The Catella Market Tracker for the third quarter of 2020 also indicates that the urbanization trend has receded due to the rising rental and purchase prices as well as an improvement of the infrastructure in the outskirts. According to the survey, the current developments as regards the coronavirus pandemic will also have an impact on the view of the future use of residential space. Urban living, which is characterized by proximity to your fellow human beings and a smaller average living space, may be considered as increasingly critical. In contrast, living in the outskirts of a city could become more attractive in the future due to larger living areas and proximity to nature, and could hence see an increasing demand.

The number of households in Germany has been growing noticeably faster than the population for several years now. According to the Federal Statistical Office, the number of households in Germany is expected to rise to around 42.63 million by 2040 – an increase of approximately 2.7% compared to 2019. This is primarily due to two developments: the increasing life expectancy and a growing trend toward single-person households. The share of single-person households has increased to more than 42% as of today. The German Federal Statistical Office expects that the share of single-person households will rise to approximately 45% by 2040.

4.2.3 DEVELOPMENT OF REAL ESTATE MARKETS

In 2021, the activities on the office markets will continue to be dominated by the coronavirus pandemic. The increasing availability of vaccines, progress in drug treatment and the warmer weather are expected to lead to a significant easing of the situation and to an abolishment of a large portion of the containment measures, at least by mid-2021. Similar to the third quarter of 2020, economic growth is therefore expected to accelerate in the second half of the year.

Office market

A potential end of the lockdown in the middle of the year should result in a recovery of rental and investment activities on the office markets. As a result of the small supply of space in the A cities, the expectation is that the price level will remain stable and that initial yields will decline further. In the non-core segment, for example office properties in B and C locations, however, price corrections and rising yields are expected. As already observed during the crisis, investor demand should continue to be focused on core and core plus properties in the large office market hubs and regional centers with stable values which deliver stable cash flows. Any price dips for offices outside of the A location segment may be perceived by somewhat less risk-averse investors as an opportunity for countercyclical purchases.

It is difficult to estimate the development of demand for space and of vacancies in the long term. This depends on how quick and strong economic recovery will be and to what extent people will return to their offices. If flexible working models prevail – with a large number of office employees working from home or in so-called satellite offices, separated from the main office – this would lead to changing space requirements of users and to increasing demands. This would result in a massive need for conversion or rebuilding.

Retail market

The store closures imposed due to the coronavirus pandemic will lead to further insolvencies in the retail sector in 2021. Against this backdrop, the crisis serves as a catalyst for developments (digitization and customer experience) that have been going on in the brick-and-mortar retail trade since many years. Larger structural market adjustments can therefore be expected above all in the non-food segment. The conversion and repositioning of large-scale inner-city properties will become the focus of portfolio holders and investors alike.

Food retailing and trade properties with a food retailing anchor continue to show their qualities as a segment that is resilient to crisis. Prime rents in inner-city top locations and shopping centers are expected to remain stable over the year, according to the CBRE Real Estate Market Outlook 2021. It is likely that prime rents for top-quality properties in A and B locations will increase.

Residential real estate market

The residential markets were largely immune to the effects of the coronavirus pandemic, since neither rents nor prices fell in Germany. According to the vdp index, the prices for homes and condominiums even increased more strongly in 2020 than in the preceding year. New contract rents declined below the previous year's figure, but still recorded growth of 3.3%. Residential space remains a scarce commodity in many regions in Germany.

To some extent, having your own home has become more important in times of the pandemic and has thus even intensified demand. A large portion of the demand is, however, attributable to the persisting low interest level. On the one hand, this is due to the fact that occupancy costs for residential properties are reduced to an extraordinarily low level. On the other hand, low long-term interest rates result in increasing yield spreads between residential properties and government bonds, for which reason residential properties continue to be an attractive form of investment. Against this backdrop, Postbank expects prices for residential properties to grow further by 2030, in particular in the urban centers and their surrounding regions.

Institutional investors with a long-term horizon already strengthened their investments in residential assets during the crisis. As a result of the stable cash flows and the low rent loss rate, the demand will remain on a high level and will further exacerbate the lack of products, above all for the core properties in large urban centers. The pandemic has further intensified the existing sub-urbanization trend in German metropolitan regions. The strong momentum of rental prices in municipalities with connections to regional or suburban rail services has the effect that regions outside of the connected metropolitan areas are increasingly suitable for rented housing and therefore get into the focus of investors. The demand of investors primarily focuses on building land that is suitable for the development of city quarters.

The expected increase in demand for residential property investments is intensified due to the fact that in the meantime even non-segment and international institutional investors, in search for stabilizing assets, are investing in German residential properties.

The compression of yields in the A cities will continue only slightly. Rather, it is expected that the decline in yields at the fringes of the metropolitan areas and in second-tier major cities will accelerate. Moreover, the compression of yields is expected to continue.

Given declining yields and the abolishment of lockdowns, the comeback of some special types of living is likely. The demand from business travelers, students from abroad and digital nomads will rise again which is why student, micro and serviced apartments will return to the focus of some investors.

4.3 OUTLOOK FOR THE GATEWAY GROUP

The forecast for GATEWAY is based on internal corporate planning which takes into account the current business development, potential opportunities and risks as well as the acquisition of two development projects in Cologne and Dresden in February 2021. In addition, the forecast also includes the material macroeconomic conditions and the economic factors relevant to property companies. The forecast was prepared in line with the financial reporting principles applied in the consolidated financial statements.

The COVID-19 pandemic continues to dominate the current situation; in light of the new German Infection Protection Act and the associated introduction of a nationwide emergency brake, the impact on business activities remains difficult to predict. The Company continues to see also opportunities arising on the procurement market as a result of the COVID-19 pandemic with respect to the acquisition of properties in particularly good locations or subject to particularly good terms. However, the Management Board of GATEWAY monitors the economic effects of the COVID-19 pandemic very closely and analyses the circumstances, risks and opportunities within the framework of the risk and opportunity management system.

As a result of the sale of the entire commercial property portfolio early in 2021, the GDV initially declined compared to year-end 2020 (December 31, 2020: approx. €5.5 billion). The acquisitions mentioned above led to a GDV of approx. €5.3 billion, which is roughly on par with the level on December 31, 2020.

For the fiscal year 2021, the Management Board expects an adjusted EBIT of €95–110 million and consolidated earnings before taxes (EBT) of €70–80 million. The main drivers for business development are the sale of the entire commercial property portfolio in the first quarter of 2021 as well as future planned sales in the context of forward sale transactions in the Residential Properties Development segment.

5. INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM RELATING TO THE GROUP ACCOUNTING PROCESS

The Group's risk management is managed by a central Finance Department on the basis of guidelines approved by the management. This Finance Department identifies, assesses and manages financial risks in close cooperation with the Group's operating units or departments, respectively.

The risk management system provides for a continuous assessment and analysis of all risks relevant for GATEWAY to be able to respond to any potentially harmful risks in a timely and appropriate manner – this also includes the observation and evaluation of defined opportunities. As part of the Group risk management system, GATEWAY has set up an internal control system (ICS) with regard to proper and legally compliant accounting, in which the accounting process is accompanied by defined control measures. The member of GATEWAY's Management Board with responsibility for the ICS is responsible for the deployment and ongoing evaluation and development of the ICS. The Management Board thus bears overall responsibility for the design and implementation of the ICS, but at the same time has defined persons responsible for the process and control of its implementation in the Group and clear roles have been assigned to all GATEWAY employees involved in the accounting process.

The accounting-related ICS was established with the aim of ensuring proper and legally compliant financial reporting in accordance with the financial reporting and compliance regulations applicable to the GATEWAY Group. In organizational terms, this is carried out for all Group divisions and companies included in the consolidated financial statements by the Group parent company, Gateway Real Estate AG. Individual accounts from the consolidated companies are reviewed by various employees of the Group parent company and included in Group financial reporting. The principle of separation of functions and the dual control principle are taken into account in all steps in this process.

After the financial statements have been prepared, the annual and consolidated financial statements together with the management report are submitted to the Audit Committee of the Supervisory Board. The Audit Committee is also continuously involved in the further development of the accounting-related ICS and the risk management system.

6. RISK REPORTING RELATING TO THE USE OF FINANCIAL INSTRUMENTS

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

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

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

We refer to our comments in chapter 3 "Report on risks and opportunities" and chapter 4 "Report on expected developments" as regards our assessment of the risks related to the coronavirus pandemic.

CAPITAL MANAGEMENT

The Group regularly reviews its capital structure in connection with the preparation of its annual and interim financial statements. Likewise, short- and medium-term capital requirements are managed through an at least monthly and rolling liquidity planning.

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

DEFAULT RISK MANAGEMENT

Default risk is the risk of a loss for the Group if a contracting party does not fulfill its contractual obligations. The Group only enters into business relationships with creditworthy contracting parties and obtains collateral 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.

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

After an appropriate determination is made, trade receivables are derecognized when they are no longer recoverable. This is the case, for example, where the debtor fails to commit to a repayment plan with the Group.

OTHER FINANCIAL ASSETS

As a result of an expected permanent impairment, the relevant other financial assets were derecognized. We refer to Note 3.6.

Additional loan receivables are owed by, amongst others, the project development companies accounted for using the equity method.

The significant influence exercised over these companies enables the Group to monitor any changes in credit risk. Changes in the credit risk of loan receivables from third parties outside the Group are monitored and managed individually.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents are deposited in banks and financial institutions. 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. Impairment losses in the category of cash and cash equivalents are insignificant for the Group.

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.

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 at different terms.

The market risk for the bank loans is relatively low since the existing loans are for the most part at a fixed interest rate or short-term.

7. DISCLOSURES AND EXPLANATIONS RELEVANT TO TAKEOVERS

The following disclosures pursuant to Sections 289a and 315a of the German Commercial Code (Handelsgesetzbuch; HGB) reflect the situation as it existed on the reporting date. The following explanation of these disclosures also complies with the requirements of an explanatory report pursuant to Section 176 (1) sent. 1 of the German Stock Corporation Act (Aktiengesetz; AktG).

COMPOSITION OF SUBSCRIBED CAPITAL

The subscribed capital (share capital) of Gateway Real Estate AG amounted to € 186,764,040.00 as of December 31, 2020. It is divided into 186,764,040 no-par value bearer shares. The share capital has been fully paid up. The same rights and obligations are attached to all shares of the Company. Each share confers one vote and the same share in the profit. The rights and obligations arising from the shares are based on the applicable statutory provisions. As of December 31, 2020, the Company held no treasury shares.

DIRECT AND INDIRECT SHAREHOLDINGS IN THE CAPITAL EXCEEDING 10% OF THE VOTING RIGHTS

According to the most recent voting rights notification, Mrs. Sandra Ketterer, Rüschlikon/Switzerland, holds 12.41% of the voting rights of the Company.

According to the most recent voting rights notification, Mr. Norbert Ketterer, Rüschlikon/Switzerland, holds a total of 66.24% of the voting rights of the Company.

It should be noted that the last reported number of voting rights may have changed in the meantime within the respective thresholds without any obligation to notify the Company.

SHARES GRANTING SPECIAL RIGHTS THAT CONFER CONTROLLING POWERS

There are no shares granting special rights that confer controlling powers.

NATURE OF CONTROL OF VOTING RIGHTS WHERE EMPLOYEES HOLD AN INTEREST IN THE CAPITAL AND DO NOT DIRECTLY EXERCISE THEIR CONTROL RIGHTS

There are no employee shareholdings in the Company's capital where the employees do not directly exercise their control rights themselves.

STATUTORY PROVISIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION ON THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The appointment and dismissal of members of the Management Board are governed by Sections 84 and 85 AktG and Section 7 of the Articles of Association. Pursuant to Section 7 (1) of the Articles of Association, the Management Board consists of at least one member. The Articles of Association do not contain any special provisions for the appointment and dismissal of individual or all members of the Management Board. The appointment and dismissal are the responsibility of the Supervisory Board. The latter appoints members of the Management Board for a maximum term of five years. Reappointments or a prolongation of the term of office are permissible, in each case, for a maximum of five years, subject to the provision in Section 84 (1) sent. 3 AktG.

Amendments to the Articles of Association are made in accordance with Sections 119 (1) no. 5, 179, 133 AktG and Sections 12 (2) and 16 (4) of the Articles of Association. The Articles of Association do not stipulate any further requirements for amendments to the Articles of Association. Unless stipulated otherwise by mandatory law, the resolutions of the General Meeting are adopted by simple majority of the votes cast and, if in addition to a majority of votes a majority of capital is required by statutory law, by a simple majority of the share capital represented for the adoption of the resolution. The Supervisory Board is authorized to make amendments to the Articles of Association which only concern their wording.

POWERS OF THE MANAGEMENT BOARD TO ISSUE SHARES

The powers of the Company's Management Board to issue shares are all based on corresponding authorization resolutions of the General Meeting, the material content of which is described below:

AUTHORIZED CAPITAL

The Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the Company until August 21, 2023, once or several times, by up to a maximum total amount of € 67,914,196.00 through the issue of up to 67,914,196 new no-par value bearer shares of the Company against contributions in cash and/or in kind (Authorized Capital 2018/i). The new shares must generally be offered to the shareholders for subscription; they may also be subscribed by one or more credit institution(s) or one or more equivalent institutions with the obligation to offer them to the shareholders for subscription (indirect subscription right). However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in the following cases:

(aa) to the extent this is necessary to compensate for fractional amounts;

(bb) if the capital increase is made against cash contributions and the total pro-rata amount of the share capital represented by the new shares for which subscription rights are excluded does not exceed 10% of the share capital existing at the time this authorization becomes effective or is exercised and the issue price is not significantly lower, within the meaning of Sections 203 (1) and (2), 186 (3) sent. 4 AktG, than the stock market price of the shares of the same class and features already listed at the time the issue price is finally determined. This limit of 10% of the share capital is to be reduced by such portion of the share capital attributable to shares which during the term of this authorization are issued or disposed of subject to an exclusion of subscription rights in application, directly, accordingly or mutatis mutandis, of Section 186 (3) sent. 4 AktG. The limit of 10% of the share capital is also to be reduced by the pro-rata amount of the share capital attributable to shares issued to satisfy bonds with conversion or option rights or to fulfill conversion or option obligations arising from convertible and/or bonds with warrants issued during the term of this authorization subject to an exclusion of the shareholders' subscription rights in accordance with Sections 221 (4) sent. 2, 186 (3) sent. 4 AktG;

(cc) in the case of capital increases against contributions in kind, to grant shares for the purpose of acquiring real estate, real estate portfolios, companies, parts of companies or equity interests in companies, as well as to acquire other assets, including receivables.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the content of the respective rights conferred by the shares, the other conditions of the share issue and the further details of the implementation of capital increases from the Authorized Capital 2018/i.

The Management Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the Company until August 20, 2024, once or several times, by up to a maximum total amount of € 25,467,824.00 through the issue of up to 25,467,824 new no-par value bearer shares of the Company against contributions in cash and/or in kind (Authorized Capital 2019/i). The new shares must generally be offered to the shareholders for subscription; they may also be subscribed by one or more credit institution(s) or one or more equivalent institutions with the obligation to offer them to the shareholders for subscription (indirect subscription right). However, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' statutory subscription right in the following cases:

aa) to the extent this is necessary to compensate for fractional amounts;

bb) if the capital increase is made against cash contributions and the total pro-rata amount of the share capital represented by the new shares for which subscription rights are excluded does not exceed 10% of the share capital existing at the time this authorization becomes effective or is exercised and the issue price is not significantly lower, within the meaning of Sections 203 (1) and (2), 186 (3) sent. 4 AktG, than the stock market price of the shares of the same class and features already listed at the time the issue price is finally determined. This limit of 10% of the share capital is to be reduced by such portion of the share capital attributable to shares which during the term of this authorization are issued or disposed of subject to an exclusion of subscription rights in application, directly, accordingly or mutatis mutandis, of Section 186 (3) sent. 4 AktG. The limit of 10% of the share capital is also to be reduced by the pro-rata amount of the share capital attributable to shares issued to satisfy bonds with conversion or option rights or to fulfill conversion or option obligations arising from convertible and/or bonds with warrants issued during the term of this authorization subject to an exclusion of the shareholders' subscription rights in accordance with Sections 221 (4) sent. 2, 186 (3) sent. 4 AktG;

cc) in the case of capital increases against contributions in kind, to grant shares for the purpose of acquiring real estate, real estate portfolios, companies, parts of companies or equity interests in companies, as well as to acquire other assets, including receivables;

dd) to the extent necessary to grant shares to the holders of bonds with warrants or convertible bonds of the Company or a Group company in the event of an offer directed to all shareholders or in the event of a capital increase with subscription rights to the extent that such holders would be entitled to a subscription right to shares of the Company after exercising the option or conversion right or fulfillment of the corresponding obligation.

The Management Board is authorized, with the approval of the Supervisory Board, to determine the content of the respective rights conferred by the shares, the other conditions of the share issue and the further details of the implementation of capital increases from the Authorized Capital 2019/i.

CONDITIONAL CAPITAL

The share capital is conditionally increased by up to € 93,382,020.00 by the issue of up to 93,382,020 new no-par value bearer shares with a proportionate amount of the share capital of €1.00 each (Conditional Capital 2019/i). The conditional capital increase serves to grant no-par value bearer shares to the holders or creditors of convertible bonds, bonds with warrants and/or participating bonds and/or profit participation rights (or combinations of these instruments) issued by the Company or its direct or indirect German or foreign majority holdings on the basis of the authorization resolved by the General Meeting on August 21, 2019 under Item 8 of the agenda and granting conversion or option rights for the subscription of no-par value bearer shares of the Company or stipulating a conversion obligation. The new no-par value bearer shares from Contingent Capital 2019/i may only be issued at a conversion or option price which complies with the requirements of the authorization resolved by the General Meeting on August 21, 2019 under Item 8 of the agenda. The conditional capital increase is to be implemented only to the extent that option or conversion rights are exercised, that bond holders or creditors obliged to conversion fulfill their conversion obligation and that offers of shares are made due to replacement rights of the Company, and only to the extent treasury shares or new shares from the use of an authorized capital are not used to satisfy such claims. The new no-par value bearer shares are entitled to profit participation starting from the beginning of the fiscal year in which they come into existence by virtue of the exercising of option or conversion rights or the fulfillment of conversion obligations or the exercising of sell-out rights. The Management Board is authorized, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

AUTHORIZATION TO ACQUIRE TREASURY SHARES

The Management Board is currently not authorized to acquire the Company's treasury shares on its behalf.

CHANGE-OF-CONTROL CLAUSES AND COMPENSATION AGREEMENTS IN CASE OF A TAKEOVER BID

Effective January 1, 2021, Tobias Meibom's agreement of employment as a Management Board member includes a change-of-control provision in case that one person (or more persons acting in concert) for the first time holds more than 50% of the shares of the Company, with (i) mere attributions due to acting in concert on the part of Mr. Norbert Ketterer and/or his relatives within the meaning of Section 15 of the German Tax Code (Abgabenordnung; AO) and/or companies related to them toward each other and/or with third parties as well as (ii) transfers between Mr. Norbert Ketterer and/or relatives within the meaning of Section 15 AO and/or companies related to them toward each other not being taken into consideration ("change of control"). In case of a change of control, Mr. Meibom may terminate the agreement of employment giving three months' notice to the end of the month and may resign from his office as Management Board member as of the corresponding date. In case Mr. Meibom exercises his termination option, he is entitled, subject to the limitation set out in the following sentence, to a severance payment in the amount of the remuneration entitlements for the original remaining term of the agreement of employment. The severance payment may not exceed the value of twice the annual remuneration. The severance is due within 14 days after the termination of the employment relationship and has to be paid on an account to be specified by Mr. Meibom.

Other than this, there are no material agreements with third parties or Group companies as of the reporting date that take effect, change or end in the event of a takeover bid.

8. REMUNERATION REPORT

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In accordance with Section 162 AktG, the Management Board and the Supervisory Board of the listed company together prepare a clear and understandable report about the remuneration granted and owed to each current or former member of the Management Board and the Supervisory Board of the Company and of companies of the same group in the last fiscal year.

Pursuant to Section 87a AktG, the Supervisory Board of the listed company also adopts a clear and understandable system for the remuneration of the Management Board members. This requirement was complied with by the Supervisory Board on October 28, 2020 by adopting a corresponding remuneration system, which the Supervisory Board will submit to the Annual General Meeting in 2021 for approval. The remuneration granted and owed to the Management Board in the reporting year 2020 are in line with the remuneration system resolved on October 28, 2020.

REMUNERATION OF THE MANAGEMENT BOARD

Non-performance-related components

1. Fixed annual remuneration
   The fixed annual remuneration is a cash remuneration related to the fiscal year which is primarily based on the areas of responsibility of the respective Management Board member. The individually specified fixed remuneration is paid in twelve equal installments.
2. Other remuneration

a) Members of the Management Board receive a monthly allowance in the amount of half of the contributions paid to a reasonable health and nursing care insurance. The allowance is limited to half of the general contribution rate applicable for the statutory health and nursing care insurance.

b) Instead of benefits, the members of the Management Board receive monthly payments that are equal to the maximum amount due to be paid to the statutory pension insurance by an employer in line with the respective statutory income threshold for contribution assessment (employer's contribution).

c) Management Board members receive a monthly flat-rate allowance as compensation for business trips with their own car.

Performance-related components

The Supervisory Board **may**, based on its due discretion, may resolve an additional voluntary bonus (recognition award) for special achievements of the Management Board for the benefit of the Company and subject to a corresponding special economic success of the Company. An enforceable legal right to such recognition award **only** arises if the Supervisory Board has made a corresponding resolution in substance and amount, which is not the case currently. Accordingly, the members of the Management Board only received non-performance-related remuneration for the year under review and only have an enforceable legal right to such remuneration.

The remuneration granted, which corresponds to the remuneration owed, can be summarized as follows:

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Remuneration granted	**Manfred Hillenbrand, CEO, First appointment: 2016**				**Tobias Meibom, CFO, First appointment: 2011**			
in € thousand	**2019**	**2020**	**2020 (min)**	**2020 (max)**	**2019**	**2020**	**2020 (min)**	**2020 (max)**
Fixed remuneration	480	480	480	480	480	480	480	480
Fringe benefits	31	31	31	31	33	32	32	32
Sum	511	511	511	511	513	512	512	512
Expenses for pensions	7	7	7	7	7	7	7	7
Total remuneration	518	518	518	518	520	519	519	519

SUPERVISORY BOARD REMUNERATION

As far as the remuneration for members of the Supervisory Board is concerned, the Company's Annual General Meeting on August 21, 2019, already resolved the following remuneration system: Each member of the Supervisory Board receives a fixed remuneration of €20,000.00 for each fiscal year. The Chairman of the Supervisory Board receives a fixed remuneration of €40,000.00 for each fiscal year and the Deputy Chairman receives a fixed remuneration of €30,000.00.

This complies with the German Corporate Governance Code which recommends that the status as Chairman or Deputy Chairman of the Supervisory Board as well as Chair or memberships in the committees shall be taken into consideration in the determination of the remuneration for the Supervisory Board. Accordingly, the granted (i.e. owed) **remuneration for members of the Supervisory Board** for the fiscal year 2020 was as follows:

—

Member of the Supervisory Board	**Time period**	**Remuneration in 2020** in € thousand	**Remuneration in 2019** in € thousand
Norbert Ketterer (Chairman of the Supervisory Board)	01/01/2020 – 12/31/2020	40	40
Thomas Kunze (Deputy Chairman of the Supervisory Board)	01/01/2020 – 12/31/2020	30	30
Ferdinand von Rom	01/01/2020 – 12/31/2020	20	20
Jan Hendrik Hedding	01/01/2020 – 12/31/2020	20	around 7.2 (proportionally)
Marcellino Graf von und zu Hoensbroech	01/01/2020 – 04/30/2020	around 6.66 (proportionally)	around 7.2 (proportionally)
Leonhard Fischer	12/21/2020 – 12/31/2020	around 0.6 (proportionally)	0

CONSOLIDATED FINANCIAL STATEMENTS OF GATEWAY REAL ESTATE AG

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 2020 FINANCIAL YEAR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF GATEWAY REAL ESTATE AG

AS OF DECEMBER 31, 2020

ASSETS

in € thousand	Notes	12/31/2020	12/31/2019
Non-current assets			
Intangible assets and goodwill	6.1	40,429	39,891
Property, plant and equipment	6.2	3,501	2,518
Investment properties	6.3	184,920	8,270
Investments accounted for using the equity method	6.4	7,130	8,832
Other non-current financial assets	6.6	8,817	15,415
Other non-current non-financial assets	6.6	2,562	0
Deferred tax assets	6.13	10,285	3,615
		257,644	**78,541**
Current assets			
Inventories	6.5	666,985	581,602
Trade receivables	6.6	1,431	1,823
Income tax receivables	6.20	3,616	2,687
Other financial assets	6.6	28,525	70,283
Other non-financial assets	6.6	54,726	50,234
Cash and cash equivalents	6.7	50,549	216,045
Non-current assets held for sale	6.8	54,150	38,750
		859,982	**961,424**
		1,117,626	**1,039,965**

EQUITY AND LIABILITIES

in € thousand	Notes	12/31/2020	12/31/2019
Equity			
Subscribed capital	6.9	186,764	186,764
Reserves	6.9	–389,131	–22,804
Retained earnings	6.9	557,411	156,778
Non-controlling interests	6.9	4,776	5,253
		359,820	**325,991**
Non-current liabilities			
Other non-current provisions	6.10	0	629
Non-current financial liabilities	6.11	146,342	343,389
Deferred tax liabilities	6.13	47,836	15,118
Other non-current financial liabilities	6.12	3,009	2,345
		197,187	**361,481**
Current liabilities			
Other current provisions	6.10	452	1,448
Current financial liabilities	6.11	459,652	272,620
Income tax liabilities	6.20	7,127	9,220
Trade payables	6.12	68,649	60,215
Other financial liabilities	6.12	7,506	3,465
Other non-financial liabilities	6.12	17,233	5,525
		560,619	**352,493**
		1,117,626	**1,039,965**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2020

in € thousand	Notes	2020	2019
Revenue	6.14	55,518	94,442
Changes in inventories of finished goods and work in progress	6.15	144,926	221,499
Other operating income	6.18	4,298	97,260
Gross profit		**204,742**	**413,201**
Raw materials and consumables used	6.16	–162,515	–247,563
Employee benefits expense	6.17	–9,294	–9,642
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale	6.3/6.8	129,109	20,548
Depreciation and amortization expense	6.1/6.2	–855	–581
Other operating expenses	6.18	–22,507	–26,986
Operating profit		**138,680**	**148,977**
Profit or loss from investments accounted for using the equity method, after taxes	6.19	3,769	9,884
Finance income	6.19	2,662	2,499
Finance costs	6.19	–28,087	–29,555
Other finance costs	6.19	–347	0
Net finance costs		**–22,003**	**–17,172**
Profit before tax		**116,677**	**131,804**
Income tax expense	6.20	–26,900	–4,829
Profit for the year		**89,777**	**126,975**
Other comprehensive income		0	0
Total comprehensive income for the period		**89,777**	**126,975**
Attributable to equity holders of the parent company	7.1	90,335	125,976
Attributable to non-controlling interests		–558	998
Earnings per share (basic)	7.1	0.48	0.69
Earnings per share (diluted)		0.48	0.69

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2020

		Equity attributable to equity holders of the parent company					
in € thousand	Note	Subscribed capital	Reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of 01/01/2019		**169,785**	**–73,266**	**49,313**	**145,832**	**2,593**	**148,425**
Profit/loss	7.1	0	0	125,976	125,976	998	126,975
Capital increase	6.9	16,979	50,936	0	67,915	0	67,915
Issue costs	6.9	0	–495	0	–495	0	–495
Dividend payment (08/26/2019)	6.9	0	0	–18,676	–18,676	0	–18,676
Change in the scope of consolidation/disposal of shares	6.9	0	0	0	0	25	25
Other	6.9	0	21	165	186	1,637	1,822
Balance as of 12/31/2019		**186,764**	**–22,804**	**156,778**	**320,738**	**5,253**	**325,991**
Profit/loss	7.1	0	0	90,335	90,335	–558	89,777
Dividend payment	6.9	0	0	–56,029	–56,029	0	–56,029
Withdrawals from the capital reserve of the parent company		0	–366,327	366,327	0	0	0
Change in the scope of consolidation/disposal of shares	6.9	0	0	0	0	81	81
Balance as of 12/31/2020		**186,764**	**–389,131**	**557,411**	**355,044**	**4,776**	**359,820**

CONSOLIDATED SEGMENT REPORT OF GATEWAY REAL ESTATE AG

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020

					2020
in € thousand	Standing Assets	Commercial Property Development	Residential Property Development	Consolidation	Group
Revenue from third parties (external revenue)	5,615	39,116	10,787	0	55,518
Intersegment revenues (internal revenue)	596	182	0	–778	0
Revenue	**6,211**	**39,299**	**10,787**	**–778**	**55,518**
Gross profit	**47,628**	**97,873**	**65,175**	**–5,934**	**204,742**
Segment result (operating profit)	**121,706**	**27,706**	**–5.566**	**–5,165**	**138,680**
thereof:					
Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale	129,109	0	0	0	129,109
Amortization and depreciation	–301	–555	0	0	–855
Profit or loss from investments accounted for using the equity method	–63	3,832	0	0	3,769
EBIT adjusted	**121,643**	**31,538**	**–5,566**	**–5,165**	**142,449**
Finance income	9,638	1,407	453	–8,835	2,662
Finance costs	–7,117	–26,911	–2,894	8,835	–28,087
Income tax expense	–26,808	–1,257	–485	1,649	–26,901
Segment assets	**554,788**	**662,988**	**172,913**	**–273,062**	**1,117,626**
Investments accounted for using the equity method	28	7,102	0	0	7,130
Additions to non-current assets	4,436	496	0	0	4,932
Segment liabilities	**272,202**	**591,978**	**161,933**	**–268,307**	**757,806**

The previous year's figures were adjusted to reflect the changes in the segment allocation (see Chapter 5 Segment report).

				2019
Standing Assets	Commercial Property Development	Residential Property Development	Consolidation	Group
25,700	58,578	10,164	0	94,442
0	516	0	–516	0
25,700	**59,094**	**10,164**	**–516**	**94,442**
42,481	**276,287**	**94,986**	**–554**	**413,201**
23,421	**20,336**	**92,064**	**13,156**	**148,977**
20,548	0	0	0	20,548
–72	–508	0	0	–581
–20	9,543	361	0	9,884
23,401	**29,879**	**92,425**	**13,156**	**158,861**
78,489	2,442	88	–78,520	2,499
–6,729	–22,491	–1,703	1,367	–29,555
988	–3,336	–2,481	0	–4,829
353,431	**648,522**	**137,897**	**–99,885**	**1,039,965**
91	8,741	0	0	8,832
46	4,151	270	0	4,467
174,342	**538,781**	**95,736**	**–94,885**	**713,974**

CONSOLIDATED STATEMENT OF CASH FLOWS OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2020

in € thousand	Note	12/31/2020	12/31/2019
Cash flows from operating activities			
Total comprehensive income for the period		89,777	126,975
Adjustments for:			
Amortization of intangible assets	6.1	66	9
Depreciation of property, plant and equipment	6.2	789	569
Changes in fair value of investment properties and valuation of properties held as inventory	6.3	–114,836	168
Changes in fair value of non-current assets held for sale (properties)	6.8	–14,273	–20,715
Profit or loss from investments accounted for using the equity method, after taxes	6.19	–3,769	–9,884
Distributions received from investments accounted for using the equity method		5,471	17,709
Profit or loss from the sale of investments accounted for using the equity method		0	–15
Profit or loss from the sale of other financial assets		1,190	–3,080
Impairment on trade receivables	3.6	314	617
Other non-cash expenses/income		12,113	–62,215
Other finance costs, net		347	0
Tax expenses		26,901	4,830
Profit or loss from the sale of fully-consolidated subsidiaries		–350	0
Net finance costs		25,429	27,057
Changes in:			
Inventories		–148,024	–196,783
Trade receivables and other receivables		77	16,324
Other financial assets		38,311	–46,710
Non-financial assets		–7,141	–50,194
Trade payables and other payables		6,449	8,374
Non-financial liabilities		12,183	–6,433
Other provisions as well as assets and provisions for employee benefits		–1,498	542
Other financial liabilities		3,917	0
Interest paid		–20,825	–19,193
Income taxes received		1,073	596
Income taxes paid		–4,955	–4,753
Cash flows from operating activities		**–91,264**	**–216,205**
Cash flows from investing activities			
Cash inflows from the sale of other financial assets		15,050	4,900
Interest received		410	2,499
Purchase of intangible assets		–604	0
Purchase of property, plant and equipment		–108	–492
Purchase of other financial assets		–15,050	0
Cash outflows for investments in properties held for sale (IFRS 5)		–1,127	–6,598
Purchase of investment properties		0	–8
Cash inflows from the sale of non-current assets held for sale (properties)		0	15,520
Cash inflows from the sale of subsidiaries		0	110,682
Cash inflows from the sale of investments accounted for using the equity method		0	400
Cash flows from investing activities		**–1,429**	**126,903**
Cash flows from financing activities			
Cash inflows from new (financial) loans	2.22	116,910	342,835
Payments for lease liabilities		–647	–452
Transaction costs for loans and borrowings	2.22	–845	0
Fees for financial liabilities not utilized		–551	0
Dividends paid to shareholders of the parent company		–56,029	–18,676
Cash inflows from the issue of bonds	2.22	26,190	0
Repayments of loans	2.22	–157,977	–149,200
Other distributions to third party shareholders		0	–2,500
Cash inflows from capital increase		0	67,914
Transaction costs in connection with the capital increase		0	–495
Cash flows from financing activities		**–72,949**	**239,426**
Net change in cash and cash equivalents		**–165,642**	**150,124**
Change in cash and cash equivalents due to consolidation group		146	–8,010
Cash and cash equivalents as of 01/01		216,045	73,931
Cash and cash equivalents as of the end of the period		**50,549**	**216,045**

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS OF GATEWAY REAL ESTATE AG

1. REPORTING ENTITY

Gateway Real Estate AG (also referred to hereinafter as "GATEWAY", the "Company" or the "Enterprise") and its subsidiaries specialize in the development and subsequent sale of residential properties as well as the construction and long-term rental of residential properties for the Company's own portfolio (build-to-hold). In the reporting year, commercial properties also were developed and sold via the subsidiary Development Partner AG, which was sold in 2021.

GATEWAY, which is registered in the commercial register of the Frankfurt am Main local court under the number HRB 93304, has its registered office in Frankfurt am Main, Germany. As from 2021, the address of the head office of operations is Hardenbergstraße 28a, 10623 Berlin, Germany.

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

The consolidated financial statements were prepared by the Management Board as of April 26, 2021 and, subject to the Supervisory Board's approval, released for publication on April 27, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in preparing the present financial statements are described in the following.

2.1 GENERAL INFORMATION

The Company's consolidated financial statements as of December 31, 2020, were prepared in accordance with the International Financial Reporting Standards (IFRS, including the interpretations of the IFRS Interpretations Committee) applicable as of December 31, 2020, as they have been endorsed by the European Union. In addition, the requirements set out in Section 315e para. 1 of the German Commercial Code (Handelsgesetzbuch; HGB) were also complied with.

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

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

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 FINANCIAL REPORTING STANDARDS

A. STANDARDS AND AMENDMENTS REQUIRED TO BE APPLIED FOR THE FIRST TIME IN FISCAL YEAR 2020

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Standard	Content	Mandatory first-time application for fiscal years beginning on or after
Amendments to IFRS 3	Definition of Business	01/01/2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020
Amendments to IAS 1 and IAS 8	Definition of Material	01/01/2020
Conceptual Framework	Revision of the Conceptual Framework and Amendments to References to the Conceptual Framework in various IFRS Standards	01/01/2020

The application of these newly applied financial reporting standards will have no material effects on the consolidated financial statements, except for additional disclosures in the notes.

B. STANDARDS AND INTERPRETATIONS NOT APPLIED (ISSUED, BUT NOT REQUIRED TO BE APPLIED OR PARTLY NOT TO BE APPLIED IN THE EU)

The International Accounting Standard Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued further standards and interpretations that are not yet required to be applied for the fiscal year 2020 or that have yet to be endorsed by the EU.

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Standard amendment	Content	Mandatory first-time application for fiscal years beginning on or after
Standards already endorsed by the EU, but not yet required to be applied		
Amendments to IFRS 16	COVID-19-Related Rent Concessions	06/01/2020
Amendments to IFRS 4	Postponement of IFRS 9	01/01/2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	01/01/2021
Standards not yet endorsed by the EU and not yet required to be applied		
IFRS 17	Insurance Contracts	01/01/2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	01/01/2023
Amendments to IFRS 3	Reference to the Conceptual Framework 2018	01/01/2022
Amendments to IAS 16	Proceeds before Intended Use	01/01/2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	01/01/2022
Various	Annual Improvements to IFRS Standards, 2018–2020 Cycle	01/01/2022
Amendments to IAS 1 and IFRS Practive Statement 2	Disclosure of Accounting Policies	01/01/2023
Amendments to IAS 8	Definition of Accounting Estimates	01/01/2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Delayed for the time being
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	04/01/2021

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

2.3 BASIS OF CONSOLIDATION

A. CONSOLIDATION PRINCIPLES

i. Acquisitions

Purchased subsidiaries are accounted for using 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. Any goodwill arising is tested for impairment either annually or if there are any indications of potential impairment (see Note 2.7) 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. Transaction costs are expensed as incurred.

ii. Subsidiaries

All subsidiaries of GATEWAY are included in the consolidated financial statements to the extent 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 the power to direct the key activities of the other company, rights to variable returns from the other company and has the ability to affect those returns through its power over the other company.

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

The accounting policies applied by subsidiaries were modified if necessary to ensure consistent accounting throughout the Group. This applies in particular to the application of principles for a recognition of revenues and gains over time where there is a sales contract for properties under development.

iii. Non-controlling interests

Non-controlling interests are initially measured at the acquisition date based on their corresponding share in the identifiable net assets of the acquired company.

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 offset against the as yet unutilized results.

iv. Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary as well as any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in the statement of comprehensive income. Any retained share in the former subsidiary has to be measured at fair value at the time control is lost.

v. Investments accounted for using the equity method

Associates 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 associates and joint ventures are carried by applying the equity method and recognized at their cost of purchase upon acquisition. Following initial recognition, the consolidated financial statements include the Group's share in the total comprehensive income of the investments accounted for using the equity method until the date on which significant influence or joint control ceases to exist.

The Group's share of the profits or losses of associates 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.

The accounting policies of companies that were consolidated on the basis of the equity method were modified when necessary to ensure uniform Group accounting methods. This applies in particular to the application of principles for a recognition of revenues and gains over time where there is a sales contract for properties under development. Where a company consolidated using the equity method has sub-interests, inclusion takes place based on a preliminary consolidation to the extent possible based on available information.

vi. Transactions eliminated during consolidation

Intragroup receivables and payables and income and expenses are offset. Intragroup transactions, balances and profits on transactions between Group companies are eliminated. 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 associates. Unrealized losses are likewise eliminated, unless the transaction is indicative of an impairment of the transferred asset.

B. SCOPE OF CONSOLIDATION

GATEWAY's scope of consolidation in the reporting period 2020 includes Gateway Real Estate AG as well as 62 (previous year: 63) subsidiaries. A total of 56 (previous year: 57) companies have their registered office in Germany and 6 (previous year: 6) in other countries. The change results from the sale of ABK Wohnraum GmbH & Co. KG.

In addition, 7 (previous year: 8) joint ventures and 2 (previous year: 5) associates were included in the consolidated financial statements using the equity method as of December 31, 2020. The changes primarily result from the sales of the shares in Projektentwicklung Weender Straße in Göttingen GmbH & Co. KG, Duesseldorf as well as in the companies Retail Portfolio Teilestraße Objekt UG, Retail Portfolio Wittenauer Straße Objekt UG and Retail Portfolio Bremerhaven Objekt UG. Please refer to Note 6.4. for more details.

The reporting date for the subsidiaries included in the consolidated financial statements is the same as the reporting date of the parent company. In accordance with Section 264b HGB, the commercial partnerships included in the consolidated financial statements are exempt from the obligations for corporations to prepare, to have audited and to publish separate financial statements and a separate management report.

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.

A detailed list of the Group's shareholdings pursuant to Section 313 HGB is included in Note 7.7.

C. CHANGES IN THE SCOPE OF CONSOLIDATION

With effect from March 30, 2020, 94.5% and, thus, all of the shares in ABK Wohnraum GmbH & Co. KG, Leipzig, were sold for a purchase price of €1.

Upon the closing as of April 2, 2020, GATEWAY sold its shares held in Projektentwicklung Weender Straße in Göttingen GmbH & Co. KG, Duesseldorf, except for a remaining stake in the amount of €100 (i.e. an ownership interest of 1%) in the limited partners' capital of the company for a purchase price of €1. Until April 2, 2020, the Company had been included in the consolidated financial statements using the equity method and will, from now on, be accounted for as an equity investment of the Group.

The share of 40% in the associates Retail Portfolio Teilestraße Objekt UG, Retail Portfolio Wittenauer Straße Objekt UG and Retail Portfolio Bremerhaven Objekt UG were sold effective February 21, 2020 at a purchase price totaling €2,000.

The previously unconsolidated Development Partner Immobilien Consulting GmbH, Duesseldorf (as the acquired entity) has been merged in the meantime with Development Partner AG, Duesseldorf (as the acquiring entity) by way of the merger agreement dated July 14, 2020. The merger was effected as of January 1, 2020 and resulted in an increase in the Group's cash and cash equivalents of € 146 thousand.

2.4 FUNCTIONAL CURRENCY

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

2.5 INTANGIBLE ASSETS AND GOODWILL

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 group of cash-generating units (CGU) to which the goodwill is attributed.

Goodwill is not amortized but is subjected to an annual impairment test in accordance with IAS 36. An impairment test is also conducted when events or circumstances occur that indicate that an impairment has occurred. Please refer to Note 2.7 "Impairment of non-financial assets" for more details on conducting impairment tests.

B. OTHER INTANGIBLE ASSETS

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

2.6 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. 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 to 5 years
- Trade fair stand: 6 years
- Office equipment: 5 to 23 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 fiscal year in which they are incurred. If the carrying amount of an asset is higher than its estimated recoverable amount, the carrying amount is written down to the recoverable 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 operating profit.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets with indefinite useful lives (e.g. goodwill) as well as assets that cannot be put into operation are tested for impairment whenever there is an indication of impairment, but at least once a year. Property plant and equipment and intangible assets that are subject to depreciation or amortization are tested for impairment as soon as events or indications suggest that their carrying amounts are possibly not recoverable.

To determine the potential need for an impairment, assets are aggregated to form cash-generating units (CGUs) 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. Goodwill acquired in a business combination is allocated to the CGUs or the groups of CGUs that are expected to derive a benefit from the synergies of the combination.

The recoverable amount of an asset or a CGU is the higher of the fair value of the asset less costs to sell and the discounted net cash flows from the continuing use of the asset (value in use). Initially, the Group generally determines the respective recoverable amount as value in use and then compares such value in use with the corresponding carrying amounts (including goodwill). The CGUs generally correspond to the individual projects or properties, respectively.

An impairment loss is recognized through profit or loss in the amount by which the carrying amount of an asset exceeds its recoverable amount – except for assets recorded at fair value and where the impairment loss would reduce the revaluation surplus.

The goodwill is tested by the Group for impairment once a year as of September 30 and whenever there is an indication of a potential impairment; the impairment test is conducted at the level of the groups of CGUs to which the goodwill was allocated. If the carrying amount of a group of CGUs, including its allocated goodwill, exceeds its recoverable amount, the difference has to be deducted as an impairment loss from the goodwill allocated to the group of CGUs. If the impairment of the group of CGUs exceeds the carrying amount of the allocated goodwill, this additional impairment has to be deducted on pro-rata basis from the carrying amounts of the other assets allocated to the respective group of CGUs. However, the carrying amount of an asset may not fall below its value in use, its fair value less costs to sell or zero.

The value in use as of September 30 used for the goodwill impairment test is determined by discounting the expected future cash flows from continuing use of the group of CGUs on the basis of a risk-adjusted interest rate. The future cash flows are determined based on the medium-term 5-year planning approved by the management as applicable as of the date when the impairment test is conducted. This planning is based on the expectations as regards future market shares, the general development of the relevant markets as well as the profitability of the projects and the project term. The rounded risk-adjusted interest rates, which were determined specifically for the respective group of CGUs and which are used for discounting the cash flows, are based on the weighted average cost of capital and amount to 4.09% (previous year: 3.45%) after taxes for the group of CGUs "Standing Assets", 4.77% (previous year: 5.00%) after taxes for the CGU "Residential Properties Development" and 4.77% (previous year: 5.00%) after taxes for the group of CGUs "Commercial Properties Development". The determination is based on the capital asset pricing model, taking into account current market expectations. To determine risk-adjusted interest rates for impairment test purposes, specific peer group information regarding beta factors, capital structure data as well as the borrowing rate are used. In accordance with IFRS 13, the determination of the recoverable amount is allocated to hierarchy level 3 (see Note 3.3 Classes of financial instruments in accordance with IFRS 7) of the measurement categories used for fair value measurement. In addition, various sensitivity analyses are performed. These show that there is no requirement to record impairment losses even in case of unfavorable assumptions as regards key influencing factors with respect to the original planning.

If the value in use is lower than the carrying amount, the fair value less costs to sell is additionally ascertained in order to determine the recoverable amount.

Non-financial assets, excluding goodwill, that were affected by an impairment are tested for reversals of impairment losses as of each year-end. Any reversals of impairment losses may not exceed amortized cost. No reversals of impairment losses may be recorded for goodwill.

2.8 INVESTMENT PROPERTIES

Upon initial recognition, GATEWAY classifies real estate according to its intended use either as investment properties (either completed or under development), inventory properties or owner-occupied properties in the category of property, plant and equipment.

Investment properties are those properties of the Group that are neither owner-occupied nor intended for sale. In the case of mixed-use property, used by the owner and by third parties, the owner-occupied portion is reported separately in the statement of financial position if such separation is legally valid and the portion is not of an insignificant extent.

Reclassifications to (or from) investment property are only made if there is a change in use. In case of a reclassification from investment property to owner-occupied property, the fair value as of the date of change in use represents the cost for subsequent accounting. We refer to the disclosures in Note 6.3 for details on the procedure followed regarding the measurement of properties reclassified from inventories.

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 inventory properties.

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 cost, including incidental expenses. In subsequent periods, they are measured at fair values which reflect the market conditions at the reporting date, taking into account the corresponding tax effects. Any profit or loss from a change in fair value is recognized through profit or loss. 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.

Real estate holdings are measured annually at December 31. The fair values of investment properties are measured on the basis of appraisals conducted by an 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 by the Company.

2.9 FINANCIAL ASSETS

In accordance with IAS 32 Financial Instruments: Presentation, a financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Upon initial recognition, financial assets are assigned to one of the following measurement 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, provided they are not designated as at fair value through profit or loss:

— 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.

As in the comparative period, there were no such financial assets and debt instruments in the Group during the reporting period.

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 comparative period, the Group's equity investments and its embedded separable derivatives are assigned to the category of "fair value through profit or loss" (FVtPL). The Group does not make use of the option to designate financial instruments as at fair value through profit or loss that would otherwise be measured at amortized cost or at fair value through other comprehensive income.

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. In both the reporting period and the comparative period, the Group did not reclassify any financial assets.

Embedded derivatives in structured contracts that include a host contract that represents a financial asset in accordance with 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 applies 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 separate instrument with the same terms 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 profit or loss for the period.

Upon initial recognition, the Group measures a financial asset at fair value. In the case of a financial asset subsequently not measured at fair value through other comprehensive income, transaction costs that are directly allocable to the acquisition of the 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.

Financial assets carried at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange rate gains and losses, and impairments are recognized in profit or loss. Interest income is presented within net finance costs. Any profit or loss arising on derecognition is recognized in operating profit. Equity investments initially measured at FVtPL are measured at fair value in subsequent periods. Dividends are recognized as income in 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 incidental 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 incidental 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 offset the recognized amounts and intends to either settle them on a net basis or to realize the asset and settle the corresponding liability simultaneously.

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

2.10 IMPAIRMENT OF NON-DERIVATIVE FINANCIAL ASSETS

The Group assesses the recoverability of its financial assets measured at amortized cost as well as its contract assets on the basis of the expected credit loss model. The impairment method generally depends on whether a significant increase in the credit risk has occurred.

The loss allowances are measured by the Group in the amount of the lifetime expected credit losses, except for loss allowances for bank balances and other financial assets where the credit risk has not increased significantly since initial recognition or which are subject to low credit risk. The credit risk is considered low when the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and there are no indications that changes in economic and business conditions in the longer term and on a sustainable basis may reduce this ability. Accordingly, the loss allowances are measured in the amount of the 12-month credit loss.

The Group applies the simplified approach within the meaning of IFRS 9 for trade receivables. Accordingly, lifetime expected credit losses have to be recorded starting with the initial recognition of the receivables.

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.

In principle, the Group assumes that the default risk of a financial asset has increased significantly if it is past due for more than 30 days. This does not apply to receivables from project development companies that are included in the consolidated financial statements using the equity method. These receivables usually relate to agency fees between Development Partner AG and the respective project company and are settled upon the completion of the construction project (normally after disposal). Instead, the recoverability of the respective receivable is assessed individually on the basis of the project's stage of completion and the prospective development of the respective project.

The Group considers a financial asset as defaulted when it is unlikely that the debtor can fully meet its loan obligations towards the Group without the debtor having to rely on measures such as the realization of collateral (if any), or when the financial asset is more than 90 days past due. Neither does this apply to receivables from project development companies that are included in the consolidated financial statements using the equity method; please refer to the explanations above.

The Group estimates as of each reporting date whether the financial asset measured at amortized cost is credit-impaired. This is the case when one or more events with adverse effects on the expected future cash flows of the financial asset have occurred. Indicators that a financial asset is credit-impaired comprise, for example, the following observable data:

- breach of contract – i.e. more than 90 days past due or in default;
- severe financial difficulties of the debtor; or
- (impending) insolvency of the debtor.

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, amongst other things, when the debtor fails to commit to a repayment plan with the Group. The Group does not expect any significant recoveries 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.

2.11 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 residential properties, including for the Company's own portfolio, is essentially a focus of GATEWAY's business activities. In this context, the Group's development activities in the Residential Properties Development segment 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 the Commercial Properties Development segment, the Group develops office buildings in Germany's top 7 cities (i.e. Berlin, Cologne, Duesseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart) and in selected metropolitan regions.

In accordance with IAS 2, inventory properties are measured at the lower of amortized cost 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 are incurred during the period of construction. All costs are capitalized in the item "Changes in inventories of finished goods and work in progress".

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 costs 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 their amortized cost, 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 2021 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 item "Changes in inventories of finished goods and work in progress" and the corresponding sale proceeds represent revenues.

If the intended use for a property changes, the property is reclassified. In the reporting period, the development projects of the companies MUC Airport Living GmbH and Augskor 1–3 GmbH were reclassified to the non-current items “Completed investment properties” and “Investment properties under development”, respectively, as a result of the expanded corporate strategy (build-to-hold), which was in accordance with IAS 40. Please also refer to Note 6.3.

2.12 CASH AND CASH EQUIVALENTS

The Group’s cash and cash equivalents are measured at amortized cost and comprise cash funds and demand deposits with banks.

2.13 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 (e.g. 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.

2.14 FINANCIAL LIABILITIES

The Group’s financial liabilities are generally measured at amortized cost. They only include liabilities from taking out loans and bonds, trade payables, and other financial liabilities. Upon initial recognition, these financial liabilities are measured at fair value, taking into account transaction costs. In subsequent periods, they are measured at amortized cost; any difference between the amount received (taking into account 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 capital of non-controlling shareholders is to be measured at fair value through profit or loss. Consequently, valuation adjustments of the limited partner’s share of non-controlling shareholders or the financial liability recognized in that respect have 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. If there is an embedded derivative that is required to be separated, the embedded termination rights are separated at initial recognition from the basic debt component and recognized in equity and a derivative asset or derivative liability is recognized at the same time. The derivative financial instruments separated from the host contract have to be allocated to the FVtPL category and have to be measured subsequently at fair value through profit or loss. Embedded derivatives are measured using option pricing models that are accepted as financial calculation methods.

Financial liabilities are derecognized as soon as the contractual obligation is discharged, canceled, or expired. Moreover, the Group derecognizes a financial liability when such liability’s contractual terms are modified and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognized at fair value based on the modified terms. 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 statement of profit or loss as other income or finance costs.

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.

2.15 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 necessarily 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 € 20,879 thousand (previous year: € 20,172 thousand) were capitalized within changes in inventory in the reporting period. In the past fiscal year, borrowing costs were directly attributable to production and could be capitalized accordingly. In the previous year, the calculation of borrowing costs eligible for capitalization was based on an average financing costs rate of 11.07%.

2.16 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 generally recognized in profit or loss. However, 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 net income tax in the period in which the change was enacted by the legislator.

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 carryforwards, tax credits, or tax-deductible temporary differences can be utilized (IAS 12.24 and 12.34). Deferred tax assets and liabilities are offset when there is an enforceable right to offset 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.

2.17 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 5-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 implicitly 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 third step, the transaction price is determined, which represents the consideration for the transfer of goods or services. The transaction price of the contracts analyzed may include variable components. On the one hand, this refers to the contractually agreed purchase price reductions of the construction projects of Projektentwicklung Rudolfplatz in Köln GmbH, Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH as well as Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH; these purchase price reductions are contractually agreed and, to that extent, limited. On the other hand, incidental cost statements are of a variable nature and were determined on the basis of the expected value method. The expected value is continuously reviewed 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 time value of money. In step four, the consideration is allocated to the identified performance obligations on the basis of stand-alone selling prices. A suitable evidence 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. If the stand-alone selling price is not reliably observable and therefore cannot be determined, the Group applies the expected cost plus a margin approach in accordance with IFRS 15.79(b) to determine the stand-alone selling price.

Revenues are recognized at a point in time or over time according to when the existing performance obligations are satisfied. The Group recognizes revenues over time provided the requirements for a transfer of control over time in accordance with IFRS 15.35 (a)–(c) are met. If the performance obligation is not satisfied over time, 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 carrying amount derecognized) from sales of investment 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 investment property.

If a binding purchase agreement is already concluded prior to the completion of the development phase of a property (forward sale), revenue is recognized depending on when the performance obligations are satisfied. In connection with the plot of land to be transferred, revenue is recognized at a point in time, i.e. when control is transferred to the acquirer, in case separate performance obligations have been identified. 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. In connection with project development/the construction project, revenue is recognized over time based on the determined percentage of completion. This is ascertained based on the basis of the ratio of construction costs incurred to the estimated total costs (cost-to-cost method). The supervision of construction projects established and performed within the Group allows for the actual costs incurred as well as the estimated total costs of the project to be estimated and allocated as precisely as possible. The transaction price underlying the contractual relationship – after taking into account variable components, if applicable – is allocated to the identified performance obligations based on the relation of the stand-alone selling prices to the estimated total costs.

As of December 31, 2020, this applies to Projektentwicklung Rudolfplatz in Köln GmbH, Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH as well as Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH, which are fully included in the consolidated financial statements. In the previous year, Venloer Straße in Köln S.à r.l. had been additionally included in the consolidated financial statements using the equity method.

Revenues from rental contracts are recognized on an accrual basis in accordance with the provisions of the underlying contracts. The transaction price is defined in the underlying rental contracts and does not include any variable consideration or financing components. Rents are to be paid on a monthly basis. Rental income is presented within revenues. In contrast to the revenues from operating costs (non-lease component), the contractual component of net basic rent as a lease is not subject to the scope of IFRS 15. Moreover, revenues from unbilled operating costs are recognized over time in accordance with IFRS 15.35(a) as the benefit from the service flows to the tenant simultaneously with the provision of the service by the landlord. In accordance with IFRS 15, revenues from the billing of 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.

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 service agreements specify various milestones by which the degree of completion is measured. Upon reaching a contractually agreed milestone, the Group transfers control over the construction section 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 the payment of the 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 previous service again if this other company were to satisfy the remaining performance obligations to the customer. The percentage of completion is measured using the output method and is based on milestones and the corresponding fees, so that it presents a true and fair view of the transfer of control.

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.

In accordance with IFRS 15, GATEWAY is required to recognize a contractual asset if it has provided project development services that have not yet been invoiced to the customer. The Group is required to recognize a contractual liability if the customer fulfills its contractual obligation before the Group transfers control over the good or service.

To the extent that the Group has provided and invoiced the service, GATEWAY's unconditional right to the consideration payable is reported as a receivable.

2.18 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 fiscal 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.

2.19 LEASES

At contract inception, GATEWAY assesses whether the contract is or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control an identified asset, GATEWAY uses the definition of a lease in accordance with IFRS 16.

a) As lessee

On the commencement date or in case of a modification of a contract that contains a lease, GATEWAY allocates the contractually agreed consideration based on the relative stand-alone selling prices.

As lessee, GATEWAY recognizes an asset for the granted right of use as well as a lease liability on the commencement date. The right-of-use asset is measured upon initial recognition at cost which corresponds to the initial measurement of the lease liability, adjusted by payments made at or before the commencement date, plus any initial direct costs as well as the estimated costs to be incurred in dismantling and removing the underlying asset or to restore the site on which it is located, less any lease incentives received.

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the commencement date until the end of the lease term. There are exemptions for rental contracts if the ownership in the underlying asset is transferred to the Group at the end of the lease term or if it is probable that a purchase option is exercised. In this case, the right-of-use asset is depreciated over the useful life of the underlying asset, with the useful life being determined on the basis of the provisions for property, plant and equipment. In addition, the right-of-use asset is constantly reduced, if necessary, by any potential impairment losses and adjusted by certain remeasurements of the lease liability.

Upon initial recognition, the lease liability is recognized using the present value of the lease payments not yet made as of the commencement date, discounted by the interest rate implicit in the lease or, when such rate cannot be readily determined, by the Group's incremental borrowing rate. As a rule, GATEWAY uses its incremental borrowing rate as the discount rate. This incremental borrowing rate is derived as a risk-adjusted interest rate that is specific for the respective maturity and currency. The difference as regards the various payment schedules of the reference interest rates (final maturity) and the lease agreements (annuity) is taken into account by way of a duration adjustment.

The lease liability is measured based on the amortized carrying amount using the effective interest method. It is remeasured when there is a change in future lease payments resulting from a change in an index or a rate, when GATEWAY adjusts its estimate of the expected payments within the context of a residual value guarantee, when the Group changes its assessment of the exercise of any purchase, extension or termination options, or when there is a change in an in-substance fixed payment.

In case of such a remeasurement of the lease liability, a corresponding adjustment of the carrying amount of the right-of-use asset is made or is recognized through profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

GATEWAY reports the right-of-use assets that do not meet the definition of an investment property in the statement of financial position under property, plant and equipment, and the lease liabilities are reported under other financial liabilities.

In addition, GATEWAY decided not to recognize right-of-use assets and lease liabilities for leases for low-value assets as well as for short-term leases. The Group recognizes the lease payments in connection with these leases as an expense on a straight-line basis over the lease term.

b) As lessor

If GATEWAY acts as the lessor, it classifies each lease upon contract inception either as a finance lease or as an operating lease. For the purposes of classifying each lease, GATEWAY has made an overall assessment whether the lease transfers substantially all of the risks and rewards incidental to ownership of an underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. In making this assessment, the Group takes into account certain indicators such as whether the lease comprises the major part of the economic useful life of the asset.

GATEWAY acts as the lessor within the context of properties held as inventory properties and investment properties. In case of the inventory properties, this refers to the lease termination phase. The lease agreements represent operating leases and the underlying lease agreements are recognized by the Group over the lease term as income in revenue.

2.20 RESIDUAL CLAIMS AND DIVIDEND PAYMENTS

The Group holds shares in companies in which non-controlling shareholders also hold a stake (Gateway Vierte GmbH, Gateway Fünfte GmbH, Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH and Storkower Straße 142–146 PE GmbH). For these company forms, the non-controlling interests 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, valuation adjustments of the share of non-controlling interests or the financial liability recognized in that respect are to be recognized in profit or loss.

2.21 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 losses recognized upon the initial classification as held for sale or held for distribution and subsequent 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 pursuant 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". 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 "Investment 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 reasonable and objectively practicable). Please refer to Note 2.8 for more information on measurement rules.

2.22 CASH FLOW STATEMENT

The cash flow statement shows the origin and use of cash flows. A distinction is made between operating, investment and financing activities. The cash and cash equivalents recognized as of the reporting date consist of cash in hand and at bank.

The **cash flows from operating activities** are derived indirectly, starting from total comprehensive income for the period.

The disposal from the scope of consolidation of ABK Wohnraum GmbH & Co. KG, Leipzig, is already included in the total comprehensive income for the period as a transaction affecting cash and cash equivalents.

The other non-cash expenses and income recorded in the reconciliation of total comprehensive income for the period to the cash flows from operating activities largely refer to allowances recognized for other financial receivables as well as reversals of provisions.

The other adjustments reported in other financial assets mainly refer to the distribution of the purchase prices from forward sales of construction projects which had been deposited on notary escrow accounts in the previous year.

The **cash flows from investing and financing** activities are calculated on the basis of actual payments.

Changes in financial liabilities are reconciled with the cash flows from financing activities as follows:

—

FINANCIAL LIABILITIES

in € thousand	2020	2019
Balance as of January 1	**616,009**	**590,112**
Cash inflows from additions to financial liabilities	143,100	342,835
Transaction costs	–845	0
Repayments of financial liabilities	–157,977	–149,652
Total change in cash flows from financing activities	**–15,722**	**193,183**
Changes from the acquisition or loss of subsidiaries, other businesses or net assets that do not represent a business	**0**	**–115,205**
Offsetting of loans	**0**	**–64,000**
Separation of embedded derivatives	**0**	**2,002**
Changes in fair value	0	1,924
Other changes		
Finance costs	28,087	27,631
Interest paid	–20,825	–19,193
Miscellaneous changes	–1,555	–445
Total other changes	**5,707**	**7,993**
Balance as of December 31	**605,994**	**616,009**

3. ADDITIONAL DISCLOSURES CONCERNING FINANCIAL INSTRUMENTS

3.1 PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

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

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

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

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

The equity ratio at the end of the year is presented in the table below:

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EQUITY RATIO

in € thousand	2020	2019
Equity	359,820	325,991
Total assets	1,117,626	1,039,965
Equity ratio (in %)	**32.2**	**31.3**

3.3 CLASSES OF FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

In the following tables, the carrying amounts of the financial instruments are reconciled to the IFRS 9 measurement categories and the fair values of the financial instruments are disclosed.

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FINANCIAL ASSETS

	Carrying amount in in € thousand					12/31/2020
					Fair value in € thousand	Level of fair value hierarchy
	Mandatorily at FVtPL	Financial assets – FVtOCI	Financial assets – AmC	Financial liabilities – AmC		
Financial assets measured at fair value						
Equity investments	2,637	0	0	0	2,637	3
Embedded derivatives	2,435	0	0	0	2,435	3
Total	**5,072**	**0**	**0**	**0**	**5,072**	
Financial assets not measured at fair value						
Trade receivables	0	0	1,431	0	1,431	
Other receivables	0	0	15,565	0	15,565	
Contract assets	0	0	4,096	0	4,096	
Loans	0	0	12,501	0	12,501	
Security deposits for leased office space	0	0	107	0	107	
Cash and cash equivalents	0	0	50,549	0	50,549	
Total	**0**	**0**	**84,249**	**0**	**84,249**	
Total financial assets	**5,072**	**0**	**84,249**	**0**	**89,321**	

—

FINANCIAL LIABILITIES

	Carrying amount in € thousand			12/31/2020
			Fair value in € thousand	Level of fair value hierarchy
	Mandatorily at FVtPL	Financial liabilities – AmC		
Financial liabilities measured at fair value				
Liabilities, non-controlling interests	834	0	834	3
Total	**834**	**0**	**834**	
Financial liabilities not measured at fair value				
Liabilities to banks	0	222,011	219,382	2
Liabilities to related companies	0	49,250	49,250	2
Liabilities under corporate bonds to related parties	0	38,194	43,176	2
Liabilities to third parties from exchange-listed corporate bonds	0	99,945	101,308	1
Loan liabilities to third parties	0	196,595	198,787	2
Trade payables	0	68,649	68,649	
Other financial liabilities	0	2,388	2,388	
Lease liabilities	0	2,802	n/a	
Contract liabilities	0	4,491	4,491	
Total	**0**	**684,325**	**687,431**	
Total financial liabilities	**834**	**684,325***	**688,265**	

* With the exception of lease liabilities that are separate from the classification in accordance with IFRS 9, the total of the category 'other financial liabilities – AmC' amounts to € 681,523 thousand.

FINANCIAL ASSETS

	Carrying amount in € thousand				Fair value in € thousand	Level of fair value hierarchy
						12/31/2019
	Mandatorily at FVtPL	Financial assets – FVtOCI	Financial assets – AmC	Financial liabilities – AmC		
Financial assets measured at fair value						
Equity investments	2,996	0	0	0	2,996	3
Embedded derivatives	2,002	0	0	0	2,002	3
Total	**4,998**	**0**	**0**	**0**	**4,998**	
Financial assets not measured at fair value						
Trade receivables	0	0	1,823	0	1,823	
Other receivables	0	0	57,446	0	57,446	
Contract assets	0	0	10,830	0	10,830	
Loans	0	0	12,094	0	12,094	
Security deposits for leased office space	0	0	330	0	330	
Cash and cash equivalents	0	0	216,045	0	216,045	
Total	**0**	**0**	**298,568**	**0**	**298,568**	
Total financial assets	**4,998**	**0**	**298,568**	**0**	**303,566**	

FINANCIAL LIABILITIES

	Carrying amount in € thousand		Fair value in € thousand	Level of fair value hierarchy
				12/31/2019
	Mandatorily at FVtPL	Financial liabilities – AmC		
Financial liabilities measured at fair value				
Liabilities, non-controlling interests	123	0	123	3
Total	**123**	**0**	**123**	
Financial liabilities not measured at fair value				
Liabilities to banks	0	330,235	344,740	2
Liabilities to related companies	0	69,704	64,149	2
Liabilities under corporate bonds to related parties	0	63,737	63,737	2
Liabilities to third parties from exchange-listed corporate bonds	0	73,148	75,286	1
Loan liabilities to third parties	0	79,062	84,088	2
Trade payables	0	60,215	60,215	
Other financial liabilities	0	3,276	3,276	
Lease liabilities	0	2,534	n/a	
Total	**0**	**681,911**	**695,491**	
Total financial liabilities	**123**	**681,911***	**695,614**	

* With the exception of lease liabilities that are separate from the classification in accordance with IFRS 9, the total of the category 'other financial liabilities – AmC' amounts to € 679,377 thousand.

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

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

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

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

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

The derivative financial instruments recognized in the consolidated statement of financial position are embedded derivatives that are separated from the bonds and are measured on the basis of the Level 3 information and inputs described above.

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

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

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

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

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

—

in € thousand	Derivative financial instruments	Equity investments FVtPL
Balance as of 01/01/2019	**4,071**	**433**
Gains (losses) recognized in finance costs	–2,069	0
Additions	0	2,563
Balance as of 12/31/2019	**2,002**	**2,996**
Gains (losses) recognized in finance costs	433	–359
Additions	0	0
Balance as of 12/31/2020	**2,435**	**2,637**

Any change considered possible in one of the principal, unobservable input factors, while retaining the other input factors, would have the following effects on the fair values of derivative financial instruments:

—

in € thousand	Profit or loss	
	Increase	**Decrease**
Balance as of 12/31/2020		
Anticipated fair market refinancing rate (1% change)	–177	181
Balance as of 12/31/2019		
Anticipated fair market refinancing rate (1% change)	–457	529

3.4 NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS

The net gains or losses from financial instruments broken down by measurement category in accordance with IAS 9 is as follows:

—

NET GAIN OR LOSS

					2020
in € thousand	Mandatorily at FVtPL	Financial assets – FVtOCI	Financial assets – AmC	Other financial liabilities – AmC	Total
Finance income	0	0	2,662	0	**2,662**
Finance costs and other finance costs, net	–273	0	0	–28,161	**–28,434**
Impairment and derecognition (in other operating expenses)	0	0	–10,523	0	**–10,523**
Net gain or loss	**–273**	**0**	**–7,861**	**–28,161**	**–36,295**

—

					2019
in € thousand	Mandatorily at FVtPL	Financial assets – FVtOCI	Financial assets – AmC	Other financial liabilities – AmC	Total
Finance income	908	0	1,591	0	**2,499**
Finance costs	–2,977	0	0	–26,578	**–29,555**
Impairment (in other operating expenses)	0	0	–732	0	**–732**
Net gain or loss	**–2,069**	**0**	**859**	**–26,578**	**–27,788**

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

Based on a risk exposure of €202,074 thousand (previous year: €221,649 thousand) and 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 finance costs presented in profit or loss:

—

RESULT

in € thousand	Basis points	2020	2019
Shift in market interest level	+50 –50	–16 0	–377 0

3.6 DEFAULT RISK MANAGEMENT

Default risk is the risk of a loss for the Group if a contracting party does not fulfill 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 following table shows the credit risk classification of trade receivables as well as their loss allowance:

—

TRADE RECEIVABLES

in € thousand	12/ 31/2020	12/31/2019
Receivables not past due	43	93
Receivables past due by up to 30 days	449	0
Receivables past due by up to 90 days	251	1,190
Receivables past due by up to 180 days	188	16
Receivables past due by up to 360 days	41	36
Receivables past due by more than 360 days	599	871
Total	**1,571**	**2,206**
Impairment	–140	–383
Net carrying amount	**1,431**	**1,823**

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 past due receivables result from receivables from management services contracts due from undertakings accounted for using the equity method. For this reason, there is a very small 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 receivables can be collected.

The opening balance of impairments of trade receivables as of January 1, 2020 is reconciled with the closing balance of impairments in the table below:

—

IMPAIRMENT ON TRADE RECEIVABLES*

in € thousand	Trade receivables 2020	Trade receivables 2019
As of 01/01	**383**	**25**
Increase in the impairment for credit losses recognized in profit or loss for the fiscal year	0	732
Amounts written off as uncollectable in the fiscal year	0	0
Amounts derecognized in the context of deconsolidation	0	–374
Amounts not utilized and reversed	–243	0
As of 12/31	**140**	**383**

* Simplified approach

After an appropriate determination is made, trade receivables are derecognized when they are no longer recoverable. This is usually the case when the debtor fails to commit to a repayment plan with the Group.

All impairments of receivables are generally included in the statement of profit or loss under other operating expenses.

OTHER FINANCIAL ASSETS

As a result of expected permanent impairment, other financial assets in the amount of € 10,233 thousand (previous year: € 0) were derecognized.

No default is expected for other loan receivables from third parties, contract assets and outstanding purchase price receivables since these claims exist toward customers with a good creditworthiness.

In addition, loan receivables are owed by the project development companies accounted for using the equity method. The significant influence exercised over these companies enables the Group to monitor any changes in credit risk.

There is not present a tabular presentation of the reconciliation of the impairments in accordance with IFRS 7.35 H-I since they amount to € 0 in both the previous year and as of the reporting date (offsetting of the addition of impairments against derecognition).

CASH AND CASH EQUIVALENTS
The cash and cash equivalents are deposited in banks and financial institutions.

The estimated loss allowance for 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.

Impairment losses in the category of cash and cash equivalents are insignificant for the Group.

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 may be required to settle the liabilities. The table includes both interest and principal payments.

—

CONTRACTUAL CASH FLOWS

					2020
in € thousand	Within 12 months	From 12 to 24 months	From 24 to 60 months	After more than 60 months	Total
Financial liabilities	–479,905	–27,930	–125,884	–3,396	**–637,115**
Trade payables	–68,649	0	0	0	**–68,649**
Other financial liabilities	–7,437	0	–850	0	**–8,287**
Lease liabilities	–690	–628	–1,517	–93	**–2,928**
Total	**–556,681**	**–28,558**	**–128,251**	**–3,489**	**–716,979**

—

					2019
in € thousand	Within 12 months	From 12 to 24 months	From 24 to 60 months	After more than 60 months	Total
Financial liabilities	–272,620	–307,570	–35,680	–139	**–616,009**
Trade payables	–60,215	0	0	0	**–60,215**
Other financial liabilities	–3,013	–263	0	0	**–3,276**
Lease liabilities	–452	–447	–1,583	–52	**–2,534**
Total	**–336,300**	**–308,280**	**–37,263**	**–191**	**–682,034**

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.

The interest payments for variable-interest loans presented in the table reflect the market conditions for forward interest rates at the end of the fiscal 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.

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 € 216,468 thousand were available at the reporting date (previous year: € 191,223 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 current and non-current borrowings are presented in the table below:

—

ASSETS

in € thousand	2020	2019
Current		
Investment properties held for sale	38,400	38,750
Inventories	604,005	590,349
Cash and cash equivalents	13,712	8,162
Total amount of current assets transferred as security	**656,117**	**637,261**
Non-current		
Property, plant and equipment	800	0
Investment properties	184,920	8,270
Total amount of non-current assets transferred as security	**185,720**	**8,270**
Total amount of assets transferred as security	**841,837**	**645,531**

In addition, the following shares in affiliated companies were provided as security:
— Storkower Straße 142–146 PE GmbH
— Revaler Straße 32 PE GmbH
— Immobiliengesellschaft am Kennedydamm in Düsseldorf mbH
— Projektentwicklung Breite Gasse in Nürnberg GmbH
— Projektentwicklung Michaelkirchstraße in Berlin GmbH
— Projektentwicklung Campus Park München GmbH

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

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

— With respect to the properties held by the Group, the Management Board must decide at every reporting date whether they should be held on a long-term basis to earn rentals or for capital appreciation or both or for sale. Depending on this decision, the properties are accounted for as land with unfinished and finished buildings intended for sale (inventories) or as non-current assets intended for sale, in accordance with the principles for investment properties, and measured at (amortized) cost or fair value, depending on the classification. We refer to Notes 6.3, 6.5 and 6.8.

— The market values of investment properties are based on the results of independent experts engaged for this purpose. The appraisals are conducted in accordance with the discounted cash flow method or the residual value method based on expected future revenue surpluses (procedure of Measurement Level 3). Accordingly, factors such as future rental income and the valuation interest rate to be applied, which have a direct effect on the fair values of the investment properties, are estimated by GATEWAY in collaboration with the appraiser. The fair values of investment properties as of the reporting date totaled € 184,920 thousand (previous year: € 8,270 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 carryforwards when ownership changes during a fiscal year in compliance with Section 8c of the German Corporation Tax Axt (KStG) and Section 10a of the German Trade Tax Act (GewStG). Therefore, differences between the actual results and our assumptions or future changes in our estimates can lead to changes of the taxable profit 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 6.13.

— Various assumptions need to be made with respect to other provisions, including for example with respect to occurrence probabilities and the utilization amounts of provisions for litigation risks. All information available at the time of preparing the financial statements was considered for this purpose. As of the reporting date, other current provisions amounted to € 452 thousand (previous year: € 1,448 thousand) and refer to current litigation risk, among other things. The measurement of the provisions takes into account knowledge of the current state of the litigation as well as the assessment of the Management Board. We refer to Note 6.10.

— 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 6.14.

— 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 2.9.

5. SEGMENT REPORT

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

There is no reporting of results on the basis of geographical regions because all of the Group's activities are conducted in Germany. The individual segments are described in the following:

— **Standing Assets:** This segment covers a profitable and diverse portfolio of existing properties. As a result of the strategic expansion to also construct residential properties for the Company's own portfolio (build-to-hold), as resolved in October 2020, the Standing Assets segment also comprises residential property projects that are held and managed in the long term to generate sustainable revenues. The segment revenues during the fiscal year primarily consist of rental income from the completed investment properties.

— **Commercial Properties Development:** The development activities for commercial properties are combined in the Commercial Properties Development segment. The objective of this segment is to develop attractive and high-quality office buildings with modern architecture and flexible usage formats. Geographically, these activities are concentrated on the top 7 cities in Germany (i.e. Berlin, Cologne, Duesseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart) and on selected metropolitan areas such as Nuremberg. The segment was discontinued in the first quarter of 2021 in connection with the expanded corporate strategy.

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

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

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

Revenue from third parties (external revenue) is generated exclusively in Germany; 70.5% of this revenue is attributable to the Commercial Properties Development segment, 10.1% to the Standing Asset segment and 19.4% to the Residential Properties Development segment. Revenue from third parties in the Commercial Properties Development segment largely includes revenue from two customers in the amount of approximately € 32.3 million in connection with the forward sale of two construction projects. Of that amount, € 22.5 million is attributable to a construction project newly started in the fiscal year. Revenue from third parties in the Standing Assets segment mainly refers to rental revenue from investment properties held as financial investments and held for sale. The major portion of revenue from third parties in the Residential Properties Development segment is attributable to revenue from a customer in the amount of approximately €10.8 million in connection with the forward sale of a construction project already commenced in the previous year.

The change in the value of investment properties results exclusively from the Standing Assets segment because only inventory properties are held in the other two segments.

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

The profit and loss shares in undertakings accounted for using 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 as reported in the statement of comprehensive income is specified as the segment result.

Segment assets include all the Group's assets, and segment liabilities include all the Group's provisions and liabilities. Investments accounted for using the equity method are reported separately here. Segment investments (additions to long term assets) shows all investments in non-current assets.

Following the strategic expansion to also construct residential properties for the Company's own portfolio (build-to-hold), as resolved in October 2020, the project developments in Augsburg and their direct parent company Gateway Neunte GmbH as well as the company MUC Airport Living GmbH were allocated to the Standing Assets segment rather than to the Commercial Properties Development segment.

The subsidiary SKE Immo Sulzbach GmbH (S.à r.l.), which was reported under the Commercial Properties Development segment in the previous year, was also reported under the Residential Properties Development segment due to its current intended use.

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

6.1 INTANGIBLE ASSETS

Please refer to Notes 2.5 and 2.7 for information on the accounting methods.

Intangible assets showed the following development in the last two reporting periods:

—

COST

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2019	**39,881**	**30**	**0**	**39,911**
Additions	0	3	0	3
Disposals	0	0	0	0
Balance as of 12/31/2019	**39,881**	**33**	**0**	**39,914**
Additions	0	336	268	604
Disposals	0	0	0	0
Balance as of 12/31/2020	**39,881**	**369**	**268**	**40,518**

—

AMORTIZATION

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2019	**0**	**11**	**0**	**11**
Additions	0	12	0	12
Disposals	0	0	0	0
Balance as of 12/31/2019	**0**	**23**	**0**	**23**
Additions	0	43	23	66
Disposals	0	0	0	0
Balance as of 12/31/2020	**0**	**66**	**23**	**89**

—

CARRYING AMOUNTS

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2019	**39,881**	**19**	**0**	**39,900**
Balance as of 12/31/2019	**39,881**	**10**	**0**	**39,891**
Balance as of 12/31/2020	**39,881**	**303**	**245**	**40,429**

The reverse acquisition conducted in 2018 resulted in the goodwill reported in the item “Intangible assets and goodwill”. This goodwill in the amount of € 39,881 thousand was allocated as follows to the groups of cash-generating units, which correspond, respectively, to the operating segments in accordance with IFRS 8:

— € 6,124 thousand are allocated to the group of CGUs “Standing Assets”;
— € 9,789 thousand are allocated to the group of CGUs “Residential Properties Development”; and
— € 23,968 thousand are allocated to the group of CGUs “Commercial Properties Development”.

Goodwill was subjected to an annual impairment test as of September 30 in accordance with the provisions set out in IAS 36.

For this purpose, the carrying amount of the group of CGUs is compared with its recoverable amount. The group of CGU’s recoverable amount is determined using its value in use which is calculated by discounting projected cash flows.

The impairment test conducted on the basis of the value in use of the groups of CGUs showed that there was no need to record an impairment loss. Moreover, there was no evidence identified as of the reporting date that indicates the existence of an impairment.

6.2 PROPERTY, PLANT AND EQUIPMENT

Please refer to Notes 2.6 and 2.7 for information on the accounting methods.

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

—

COST

in € thousand	Operating facilities	Plant and machinery	Buildings on owned land	Operating and office equipment	Total
Balance as of 01/01/2019	**53**	**63**	**2,693**	**927**	**3,736**
Additions	0	159	0	75	234
Disposals	25	0	442	0	467
Balance as of 12/31/2019	**28**	**222**	**2,251**	**1,002**	**3,503**
Additions	0	193	1,444	136	1,773
Disposals	0	40	0	1	41
Balance as of 12/31/2020	**28**	**375**	**3,695**	**1,137**	**5,235**

—

DEPRECIATION AND IMPAIRMENTS

in € thousand	Operating facilities	Plant and machinery	Buildings on owned land	Operating and office equipment	Total
Balance as of 01/01/2019	**4**	**0**	**0**	**415**	**419**
Additions	12	53	331	173	569
Disposals	3	0	0	0	3
Balance as of 12/31/2019	**13**	**53**	**331**	**588**	**985**
Additions	0	100	478	211	789
Disposals	0	40	0	0	40
Balance as of 12/31/2020	**13**	**113**	**809**	**799**	**1,734**

—

CARRYING AMOUNTS

in € thousand	Operating facilities	Plant and machinery	Buildings on owned land	Operating and office equipment	Total
Balance as of 01/01/2019	**49**	**0**	**0**	**420**	**469**
Balance as of 12/31/2019	**15**	**169**	**1,920**	**414**	**2,518**
Balance as of 12/31/2020	**15**	**263**	**2,885**	**338**	**3,501**

Additions to property, plant and equipment in the reporting period 2020 largely result from the recognition of the right-of-use assets from the newly concluded rental contracts for buildings, vehicles and IT equipment.

As of December 31, 2020, property, plant and equipment includes right-of-use assets of € 2,398 thousand (previous year: € 2,148 thousand) in connection with leased objects that do not meet the definition of investment properties. A detailed list of the right-of-use assets is included in Note 6.21.

6.3 INVESTMENT PROPERTIES

Please refer to Note 2.8 for information on the accounting methods.

All information presented here pertains to the Standing Assets segment. As in the comparative period, there were no intersegment transactions during the reporting period.

In the reporting period, measurement gains of € 129,109 thousand (previous year: € 20,548 thousand) were recorded in the statement of comprehensive income in the item "Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale". Of that amount, measurement gains of € 114,836 thousand (previous year: €–168 thousand) were attributable to investment properties. These measurement gains entirely (previous year: measurement losses of €–168 thousand) concern properties whose fair value was determined based on Level 3.

An amount of € 14,273 thousand of the fair value changes is attributable to non-current assets held for sale. We refer to Note 6.8.

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

—

in € thousand	
Balance as of 01/01/2019	**238,197**
Additions from acquisitions	8
Reclassification	–229,767
Change in market value	–168
Balance as of 12/31/2019	**8,270**
Reclassification from IAS 40 to owner-occupied properties	–827
Reclassification of inventories to IAS 40	62,441
Subsequent production costs	200
Change in market value	114,836
Balance as of 12/31/2020	**184,920**

Of the investment properties, properties with a total carrying amount of € 184,920 thousand (previous year: € 8,270 thousand) were secured by mortgages as of the reporting date.

In the context of the extended corporate strategy, GATEWAY increasingly seeks to develop residential real estate for long-term holding and administration. In this context, the project Augsburg was transferred to the Company's portfolio and measured at fair value in accordance with IAS 40. In accordance with IAS 40.33 in conjunction with IFRS 13.27 ff., measurement was made based on the highest and best use pursuant to which a mixed use is intended for the quarter, including the sale of individual units. As a result of the changed company strategy, which now includes the long-term holding of the project, the current use deviates from this to that extent. Based on the long-term use, GATEWAY seeks to achieve a better planning of stable cash flows as well as the reduction of the marketing risks. Thanks to the positive prospects in the residential property management sector, Gateway expects to generate higher yields from the long-term use in the medium to long term.

The mentioned project is accounted for as part of the following subsidiaries:

— Augskor 1 GmbH, Luxembourg
— Augskor 2 GmbH, Luxembourg
— Augskor 3 GmbH, Luxembourg

In addition, the Hallbergmoos project (MUC Airport Living GmbH, Munich) was also transferred to the Company's portfolio and measured at fair value in accordance with IAS 40. In this case, the use with respect to the highest and best use is the long-term rental of the entire property.

The following table presents the significant amounts recognized in the statement of profit or loss for the properties shown as investment properties:

—

in € thousand	2020	2019
Rental revenues	2,854	738
Revenues from operating costs	693	35
Revenues from cost charges to others and building cost subsidies	0	9
Administration costs (operating costs, maintenance, administration, etc.)	–1,910	–382
	1,637	400
Thereof fair value Level 3	1,637	400
Thereof fair value Level 2	0	0

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 investment properties are determined on the basis of the residual value method or the discounted cash flow procedure. Expected future rental surpluses from a property are discounted to present value at the valuation date by applying 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 investment properties as well as the principal assumptions applied for purposes of the above-mentioned valuation technique:

Property Type	Lilienthalstr. 5–9 Hallbergmoos Standing asset Hotel	Rudolf-Diesel-Straße 5, 7 Eschborn Standing asset Office	Berliner Allee 53–65 Augsburg Development Commercial/residential	Berliner Allee 53–65 Augsburg Development Condominium
				2020
Rented space (usable area) in sqm	8,279	8,005	116,895	28,795
Vacant space in sqm	0	2,428	116,895	28,795
Initial vacancy rate in % (based on total space)	0.0	30.3	100.0	100.0
Achievable net basic rent (market rent) p.a. in € thousand (parking space included)	*1,291*	*938*	*20,488*	*n/a*
Achievable net basic rent (market rent) per sqm in €	12.99	9.76	14.61	n/a
Actually achieved net basic rent (contract rent) p.a. in € thousand (parking space included)	*1,291*	*649*	*n/a*	*n/a*
Actually achieved net basic rent (contract rent) per sqm in €	12.99	9.69	n/a	n/a
Fair value in € thousand	23,700	10,800	100,200	51,300
Fair value per sqm of rented space in €	2,863	1,349	n/a	n/a
Fair value per sqm of land area in €	n/a	n/a	1,053	2,028
Multiplier on market rent (market value: achievable net basic rent)	18.4	11.5	n/a	n/a
Multiplier on contract rent (market value: contractual net basic rent)	18.4	16.6	n/a	n/a
Valuation parameters:				
Average maintenance costs p.a. in €/sqm	8.67	9.18	7.09	n/a
Administrative expenses (in % of achievable rent)	1.5	0.0	1.5	n/a
Operating costs not chargeable (in % of achievable rent)	7.1	7.7	6.0	n/a
Discount rate in %	6.10	6.75	n/a	n/a
Capitalization interest rates in %	5.10	6.25	2.90	n/a
Multiplier in case of resale after ten years	19.6	16.0	27.4	n/a
Incidental acquisition costs upon resale in %	4.75	7.25	3.70	n/a
Land area in sqm	n/a	n/a	95,173	25,299
Net sales value at exit in € thousand	n/a	n/a	562,174	204,806
Cost in € thousand	n/a	n/a	372,325	115,650

Property Type	2019 Rudolf-Diesel-Straße 5, 7 Eschborn Standing asset Office
Rented space (usable area) in sqm	8,005
Vacant space in sqm	2,970
Initial vacancy rate in % (based on total space)	37.1
Achievable net basic rent (market rent) p.a. in € thousand (parking space included)	*920*
Achievable net basic rent (market rent) per sqm in €	9.58
Actually achieved net basic rent (contract rent) p.a. in € thousand (parking space included)	*567*
Actually achieved net basic rent (contract rent) per sqm in €	9.39
Fair value in € thousand	8,270
Fair value per sqm of rented space in €	1,033
Fair value per sqm of land area in €	n/a
Multiplier on market rent (market value: achievable net basic rent)	9.0
Multiplier on contract rent (market value: contractual net basic rent)	14.6
Valuation parameters:	
Average maintenance costs p.a. in €/sqm	7.50
Administrative expenses (in % of achievable rent)	1.0
Operating costs not chargeable (in % of achievable rent)	2.0
Discount rate in %	7.25
Capitalization interest rates in %	7.00
Multiplier in case of resale after ten years	14.3
Incidental acquisition costs upon resale in %	7.0
Land area in sqm	n/a
Net sales value at exit in € thousand	n/a
Cost in € thousand	n/a

The determination of the fair value was generally based on Level 3 input factors (see also Note 3.3), i.e., factors not based on observable market data (unobservable input factors). For properties that are held for sale and for which a binding purchase agreement is already on hand as of the reporting date, the agreed 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 selection of the valuation method depends on the property's state of development as of the valuation date: In the case of undeveloped sites without building permit or an approved project-specific land use plan (unless the planned real estate fits in the adjacent development in terms of the type and extent of building use in accordance with Section 34 of the German Construction Act (Baugesetzbuch; BauGB)), the sales comparison approach (*Vergleichswertverfahren*) with reference to the land value (*Bodenwert*) is used. In this context, the reference land value and/or, if available, comparable transactions from the committee of appraisers represent the data basis. These parameters are then adjusted, taking into account the characteristics of the plot of land, to establish a like-for-like basis. If there are plans to change the use of plots of land from commercial to residential, the currently possible use often does not represent an actual measure. Therefore, the comparable transactions, if available, are the best indicator for the fair value for financial reporting.

In the case of undeveloped sites with building permit or an approved project-specific land use plan, or if the approval of such land use plan is merely a formal act, the residual value method is used to determine a realistic land value.

The underlying application of the residual value method assumes that the construction costs, including ancillary construction costs, of the development site are incurred on a straight-line basis between the start and the end of construction works. In order to determine the value of the property as of the reporting date, the direct income capitalization method is used to calculate the potential sale proceeds after completion. Any necessary construction costs, including ancillary construction costs, are deducted from the sale proceeds. The costs for financing and marketing as well as the developer's profit are also deducted from the sale proceeds.

Financing costs are determined taking into account the weighted average cost of capital by using the average capital employed in the amount of 50 percent of construction costs, including ancillary construction costs. The assumption used in relation to marketing costs is that they are not incurred prior to the end of the construction period. The developer's profit is determined by reference to the sale proceeds (excluding incidental acquisition costs), which, in turn, are calculated based on estimated rental income. The subtotal, after taking into account the positions mentioned above, is called "Residual I". The financing costs of the plot of land are then deducted from "Residual I", with the financing costs being calculated using the compound interest rate for the term from the valuation date until the estimated date of sale based on the weighted average cost of capital. The final total, "Residual II", is then determined by deducting incidental acquisition costs.

Once a property is about to be completed, the discounted cash flow (DCF) method is applied. Any outstanding costs incurred during the construction period may be deducted as a one-off payment under this method.

The applied DCF method 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:

—

FAIR VALUES

in € million	2020	2019
Office	10.8	8.3
Residential/commercial development	151.5	0.0
Hotel	23.7	0.0
Total	**186.0**	**8.3**

The fair value in the amount of € 1,080 thousand for the partially owner-occupied portfolio property of the office segment deviates from the total fair value as this portion was allocated to property, plant and equipment due to its owner-occupied character.

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.

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SENSITIVITY ANALYSIS

	12/31/2020							
	Construction costs, excluding ancillary construction costs		Sales price potential		Discount rate /capitalization interest rate (for residential/commercial)		Market rent	
in € million	5.0%	–5.0%	5.0%	–5.0%	–0.25 %	0.25 %	5.0 %	–5.0 %
Office	n/a	n/a	n/a	n/a	0.5	–0.4	0.6	–0.5
Residential/commercial development	–18.6	18.5	7.5	–7.5	28.4	–25.8	22.8	–22.9
Hotel	n/a	n/a	n/a	n/a	1.2	–1.1	0.8	–0.8
Total	**–18.6**	**18.5**	**7.5**	**–7.5**	**30.1**	**–27.3**	**24.2**	**–24.2**

—

	12/31/2019			
	Discount rate		Market rent	
in € million	–0.25 %	0.25 %	5.00 %	–5.00 %
Office	0.2	–0.2	0.5	–0.5
Total	**0.2**	**–0.2**	**0.5**	**–0.5**

6.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Please refer to Note 2.3 for information on the accounting methods.

The composition of the investments accounted for using the equity method is presented in the following table:

—

FINANCIAL INVESTMENTS

in € thousand	Note	12/31/2020	12/31/2019
Interests in associates	(A)	1,064	4,721
Interests in joint ventures	(B)	6,066	4,111
Balance as of 12/31		**7,130**	**8,832**

A. ASSOCIATES

The business object of Projektentwicklung **Venloer Straße** in Köln S.à r.l., Berlin, 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 associate due to the 20% co-determination rights associated with the investment. The property was sold by contract dated December 20, 2018. The transfer of benefits and obligations was executed on July 1, 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 stage 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 AG, Frankfurt am Main, from 20% to up to 50%, depending on the achievement of defined return targets of the co-shareholder. There was no profit share for the year 2020 attributable to Development Partner AG, Frankfurt am Main. In the previous year, the profit share after taxes was € 1.6 million. In addition, Projektentwicklung Venloer Straße in Köln Beteiligungsgesellschaft mbH, Duesseldorf, a wholly-owned subsidiary of Development Partner AG, Frankfurt am Main, received a dividend of € 3.6 million (previous year: € 9.6 million). The carrying amount of the investment which is subsequently remeasured using the equity method corresponds to the pro-rata entitlement in the remaining net assets of the company.

In the past, the Group has also held shares in a number of joint ventures 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	12/31/2020	12/31/2019
Carrying amount of financial investments accounted for using the equity method	11	11
Share of profit	0	0

There were no material contingent liabilities or financial obligations to associates accounted for using the equity method as of the reporting date.

B. JOINT VENTURES

Despite the 60% equity interest, Projektentwicklung **Abraham-Lincoln-Straße** in Wiesbaden Beteiligungsgesellschaft mbH & Co. KG, Duesseldorf, 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 staggered profit distribution agreement that also entails separate advance interest on capital reserves. The company held a 66.7% interest in Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden GmbH, Duesseldorf, the business object of which is to develop a property with a gross floor space of approx. 14,100 sqm in Wiesbaden. These shares were fully disposed of by way of an agreement dated July 31, 2019. For the fiscal year ended December 31, 2019, a result from associates of € 8.3 million was recognized for the investment. As a result of the disposal of the project company, Development Partner AG, Frankfurt am Main, received an interim dividend of € 8.1 million. There was no additional dividend during the reporting year. The carrying amount of the investment which is subsequently remeasured using the equity method corresponds to the pro-rata entitlement in the remaining net assets of the company.

Despite an equity interest of 75%, Projektentwicklung am **Barmbeker Bahnhof** in Hamburg Beteiligungsgesellschaft mbH & Co. KG, Duesseldorf, 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 staggered 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, Duesseldorf, 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 AG, Frankfurt am Main, has entered into a management services agreement with the company related to the execution of project development. By way of an agreement dated August 25, 2020, the completed property was sold to an investor. As a result of the disposal of the property, Development Partner AG, Frankfurt am Main, received an interim dividend of € 1.8 million in 2020. The carrying amount of the investment which is subsequently remeasured using the equity method corresponds to the pro-rata entitlement in the remaining net assets of the company.

The business object of Immobiliengesellschaft **Hutfiltern** in Braunschweig GmbH, Duesseldorf, 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. The articles of association also include a staggered profit distribution agreement that also entails separate interest on capital reserves. Development Partner AG, Frankfurt am Main, has entered into a management services agreement with the company related to the execution of project development. As of the reporting date, the project company has work in progress of € 32.1 million (previous year: € 30.4 million), which is mainly financed by loans. Development Partner AG, Frankfurt am Main, 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 GmbH & Co. KG, Duesseldorf, refers to the development of a property in Göttingen. In the previous years, the company was classified as a joint venture because the articles of association require, among other things, a unanimous vote for all resolutions. Development Partner AG, Frankfurt am Main, had entered into a management services agreement with the company related to the execution of project development, and has issued a cost overrun and interest servicing guarantee to the external lenders. Upon the closing as of April 2, 2020, GATEWAY sold its shares held in the company, except for a remaining stake in the amount of € 100.00 (i.e. an ownership interest of 1%) in the limited partners' capital of the company and will, from now on, be accounted for as an equity investment of the Group.

The Group also holds shares in a number of joint ventures 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	12/31/2020	12/31/2019
Carrying amount of financial investments accounted for using the equity method	28	92
Share of profit	0	0

The Group did not recognize accumulated losses of € 0 thousand (previous year: € 150 thousand) in relation to its shares in joint ventures because it bears no obligations for these losses.

There were no material contingent liabilities or financial obligations to joint ventures accounted for using the equity method as of the reporting date.

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

—

				12/31/2020
Name	**PE Venloer Straße in Köln S.à r.l.**	**PE Abraham-Lincoln-Straße in Wiesbaden KG**	**PE Am Barmbeker Bahnhof in Hamburg Beteiligungs-gesellschaft KG**	**IG Hutfiltern in Braunschweig GmbH**
Type of relationship	Associate	Joint venture	Joint venture	Joint venture
Head office	Luxembourg	Wiesbaden	Hamburg	Braunschweig
Share of equity held by the company	20.00 %	60.00 %	75.00 %	60.00 %
Accounted for using the equity method	Yes	Yes	Yes	Yes
Type of activity of the company	Project development	Project development investment company	Project development investment company	Project development
in € thousand				
Dividends received	3,647	0	1,811	0
Non-current assets	0	0	3,297	0
Current assets	2,451	6,973	5,279	32,194
thereof cash and cash equivalents	419	6,306	5,279	67
Non-current liabilities	0	6,213	5,001	16,720
thereof financial liabilities	0	6,213	5,001	16,720
Current liabilities	102	513	319	8,543
thereof financial liabilities	0	0	194	7,773
Net assets (100 %)	**2,349**	**247**	**3,256**	**6,931**
Group's share of net assets	**470**	**148**	**2,442**	**4,159**
Disproportionate funding of capital reserves	0	67	242	–1,151
Impairment reversal of loss included as part of the net investment	0	0	0	0
Incongruent distribution of results	594	0	–92	0
Unrecognized share in losses	0	0	0	0
Other reconciliation effects	0	0	22	191
Carrying amount of equity held in the company	**1,064**	**215**	**2,614**	**3,198**
Revenues	0	12	4,211	140
Total comprehensive income	–254	–71	4,779	–672
Depreciation	0	0	0	0
Finance income	0	0	1,126	1
Finance costs	–16	–37	–367	–1,169
Income tax expense or income	–50	24	–178	21

—

					12/31/2019
Name	**PE Venloer Straße in Köln S.à r.l.**	**PE Abraham-Lincoln-Straße in Wiesbaden KG**	**PE Am Barmbeker Bahnhof in Hamburg Beteiligungsgesellschaft KG**	**IG Hutfiltern in Braunschweig GmbH**	**PE Weender Straße in Göttingen KG**
Type of relationship	Associate	Joint venture	Joint venture	Joint venture	Joint venture
Head office	Luxembourg	Wiesbaden	Hamburg	Braunschweig	Göttingen
Share of equity held by the company	20.00 %	60.00 %	75.00 %	60.00 %	20.50 %
Accounted for using the equity method	Yes	Yes	Yes	Yes	Yes
Type of activity of the company	Project development	Project development investment company	Project development investment company	Project development	Project development
in € thousand					
Dividends received	0	0	0	0	0
Non-current assets	0	0	9,591	0	0
Current assets	20,397	7,094	148	30,522	7,392
thereof cash and cash equivalents	15,308	6,421	148	121	118
Non-current liabilities	0	6,268	6,470	16,722	7,807
thereof financial liabilities	0	6,268	6,470	16,722	7,807
Current liabilities	10,494	563	3,259	6,198	319
thereof financial liabilities	0	0	3,201	5,753	319
Net assets (100%)	**9,903**	**263**	**10**	**7,603**	**–734**
Group's share of net assets	**1,981**	**158**	**8**	**4,562**	**–150**
Disproportionate funding of capital reserves	0	95	291	–1,151	0
Impairment reversal of loss included as part of the net investment	0	0	0	0	0
Incongruent distribution of results	2,730	0	0	0	0
Unrecognized share in losses	0	0	0	0	150
Other reconciliation effects	0	0	0	57	0
Carrying amount of equity held in the company	**4,710**	**253**	**299**	**3,467**	**0**
Revenues	18,554	24,625	0	144	1
Total comprehensive income	7,347	18,199	602	–820	–59
Depreciation	0	0	0	0	0
Finance income	0	12	1,009	0	0
Finance costs	–829	–35	–244	–977	–363
Income tax expense or income	–6,141	–484	–150	–17	0

6.5 INVENTORIES

Please refer to Notes 2.11 for information on the accounting methods.

The Group's inventories as of the reporting date consisted of the capitalized construction costs (including construction period interest) of inventory properties, which were measured entirely at amortized cost in accordance with Note 2.11. Construction period interest of € 19,645 thousand (previous year: € 20,172 thousand) was capitalized as the cost in the reporting period.

The total carrying amount of all inventory properties as of December 31, 2020 was € 666,985 thousand (previous year: € 581,602 thousand). The inventory properties mainly comprise Projektentwicklung Breite Gasse in Nürnberg GmbH, Duesseldorf (€ 93,680 thousand), Immobiliengesellschaft am Kennedydamm mbH, Duesseldorf (€ 82,045 thousand), Projektentwicklung Mediaspree in Berlin GmbH, Duesseldorf (€ 74,687 thousand), Revaler Str. 3 PE GmbH, Berlin (€ 73,694 thousand), Projektentwicklung Michaelkirchstraße (€61,355 thousand), SKE Immo Sulzbach GmbH (S.à r.l.), Bereldange, Luxembourg (€ 56,073 thousand) and Projektentwicklung Campus Park in München GmbH, Duesseldorf (€ 67,166 thousand).

The development projects of the companies MUC Airport Living GmbH and Augskor 1–3 GmbH were reclassified in the reporting period to the non-current items "Completed investment properties" and "Investment properties under development", respectively, as a result of the expanded corporate strategy (build-to-hold).

—

in € thousand	12/31/2020	12/31/2019
Projektentwicklung Breite Gasse in Nürnberg GmbH	93,680	89,670
Immobiliengesellschaft am Kennedydamm in Düsseldorf mbH	82,045	75,454
Projektentwicklung Mediaspree in Berlin GmbH	74,687	72,160
Revaler Straße 32 PE GmbH	73,694	66,512
Projektentwicklung Campus Park München	67,166	62,113
PE Michaelkirchstraße	61,355	56,259
SKE Immo Sulzbach GmbH (S.à r.l.)	56,073	5,000
Storkower Straße 142–146 PE GmbH	47,991	33,824
Beteiligungsgesellschaft Berlin-Heinersdorf 18 GmbH	33,475	31,888
SoHo Mannheim	25,888	25,381
PE Neufahrn	21,914	14,070
Projektentwicklung Technologiecampus Großraum Stuttgart GmbH	16,981	1,078
Storkower Straße 140 PE GmbH	5,129	4,120
Projektentwicklung Uerdinger Straße in Düsseldorf Residential GmbH	4,240	4,259
Projektentwicklung Brotstraße in Trier GmbH	2,635	0
Projektentwicklung Rudolfplatz in Köln GmbH	32	0
Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH	0	16,074
Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH	0	786
Augskor 1 GmbH (S.à r.l.)	0	783
Augskor 2 GmbH (S.à r.l.)	0	1,912
Augskor 3 GmbH (S.à r.l.)	0	1,435
MUC Airport Living GmbH	0	18,824
Total	**666,985**	**581,602**

The project companies Gewerbepark Neufahrn GmbH and Movingstairs GmbH are combined under PE Neufahrn. Of the inventories, properties with a total carrying amount of € 604,005 thousand (previous year: € 590,349 thousand) were secured by mortgages as of the reporting date.

6.6 TRADE RECEIVABLES AND OTHER ASSETS

Please refer to Notes 2.9 and 2.10 for information on the accounting methods.

The trade receivables of € 1,431 thousand (previous year: € 1,823 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 loss allowance accounts are not maintained at the present time.

Other current assets mainly comprised the following items:

—

OTHER ASSETS

in € thousand	12/31/2020	12/31/2019
Other financial assets:		
Other receivables – at amortized cost	15,160	57,446
thereof to related parties	9,124	5,956
Loans – at amortized cost	12,501	12,094
thereof to related parties	4,320	6,225
Contract assets	4,096	10,830
Equity investments – measured at FVtPL	3,043	2,996
Embedded derivatives	2,435	2,002
Security deposits	107	330
	37,342	**85,698**
thereof current	28,525	70,283
thereof non-current	8,817	15,415
Other non-financial assets:		
Other assets	52,256	45,294
thereof to related parties	5	5
Tenant incentives	2,651	1,805
Value added tax credits	1,903	2,184
Prepaid expenses	373	781
Operating costs	105	170
	57,288	**50,234**
thereof current	54,726	50,234
thereof non-current	2,562	0

In the previous year, the other receivables measured at amortized cost mainly referred to purchase prices from forward sales of construction projects which were paid to notary escrow accounts and not distributed. In the current year, other receivables mainly result from receivables from equity investments and from the sale of shares in subsidiaries.

Other non-financial assets in the amount of € 51,288 thousand (previous year: € 45,294 thousand) refer to the transfer of property from a land purchase agreement that has been certificated by a notary public, but has not yet been fully executed. Upon further execution of the agreement, the item has to be transferred to the corresponding item in the statement of financial position.

6.7 CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents mainly consisted of overnight bank deposits and amounted to € 50,549 thousand as of December 31, 2020 (previous year: € 216,045 thousand).

As in the previous period, cash and cash equivalents were not subject to any restrictions.

6.8 NON-CURRENT ASSETS HELD FOR SALE

Please refer to Note 2.1 for information on the accounting methods.

The item “Non-current assets held for sale” includes properties of Gateway Vierte GmbH and Gateway Fünfte GmbH which are intended to be disposed or to be transferred to the buyer within the next year.

As of the reporting date, there was a mandatory purchase contract for the property of Gateway Vierte GmbH in Hamburg. Pursuant to the sales contract, the properties are sold for a total of € 15,750 thousand. The fair value corresponds to the selling price, as in the previous year. In the period under review, prepayments were made in the amount of € 11,500 thousand which are reported under other non-financial liabilities. We refer to Note 6.12.

The sale of the property of Gateway Fünfte GmbH in Leipzig is expected to occur within 12 months. In contrast to the assumptions made in the prior year, the disposal was delayed for reasons beyond the Company's control. This property is still in the process of being actively marketed, which looks very promising due to the current actual negotiations. As of the reporting date, this property had a fair value of € 38,400 thousand (previous year: € 23,000 thousand). In the past fiscal year, subsequent costs of €1,127 thousand were recognized for the properties held for sale. Further, the fair value measurement resulted in an adjustment of €14,273 thousand (previous year: € 20,715 thousand) recognized through profit or loss.

All information presented here pertains to the Standing Assets segment. As in the comparative period, there were no intersegment transactions during the reporting period.

In the reporting period, measurement gains of € 129,109 thousand (previous year: € 20,548 thousand) were recorded in the statement of comprehensive income in the item „Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale". Of that amount, measurement gains of €14,273 thousand (previous year: €20,715 thousand) were attributable to non-current assets not held for sale. These measurement gains entirely (previous year: €18,067 thousand) concern the property of Gateway Fünfte GmbH (previous year: properties of several companies), whose fair value was determined based on Level 3.

The following overview presents the development of non-current assets held for sale.

—

in € thousand	
Balance as of 01/01/2019	**35,590**
Additions from acquisitions	6,598
Reclassification	229,767
Disposals	–253,920
Changes in market value	20,715
Balance as of 12/31/2019	**38,750**
Subsequent costs	1,127
Changes in market value	14,273
Balance as of 12/31/2020	**54,150**
Thereof fair value Level 3	38,400
Thereof fair value Level 2	15,750

Of the investment properties, properties with a total carrying amount of € 38,400 thousand (previous year: € 38,750 thousand) were secured by mortgages as of the reporting date.

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

—

in € thousand	**2020**	**2019**
Rental revenues	884	15,883
Revenues from operating costs	214	3,367
Revenues from cost charges to others and building cost subsidies	190	119
Administration costs (operating costs, maintenance, administration, etc.)	–1,125	–7,980
	163	**11,389**
Thereof fair value Level 3	677	11,892
Thereof fair value Level 2	–513	–503

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 investment 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 applying 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 held-for-sale investment properties for which there was no sales contract as well as the principal assumptions applied for purposes of the above-mentioned valuation technique:

—

Asset: Zschochersche Straße 69 04229 Leipzig Type: Standing asset Office/residential	**2020**	**2019**
Rented space (usable area) in sqm	11,256	14,567
Vacant space in sqm	4,435	1,005
Initial vacancy rate in % (based on total space)	39.4	6.9
Achievable net basic rent (market rent) p.a. in € thousand (parking space included)	*1,926*	*1,384*
Achievable net basic rent (market rent) per sqm in €	14.26	7.92
Actually achieved net basic rent (contract rent) p.a. in € thousand (parking space included)	*881.897*	*1,737*
Actually achieved net basic rent (contract rent) per sqm in €	10.77	10.67
Fair value in € thousand	38,400	23,000
Fair value per sqm of rented space in €	3,412	1,579
Fair value per sqm of land area in €	n/a	n/a
Multiplier on market rent (market value: achievable net basic rent)	19.9	16.6
Multiplier on contract rent (market value: contractual net basic rent)	43.5	13.2
Valuation parameters:		
Average maintenance costs p.a. in €/sqm	9.75	7.5
Administrative expenses (in % of achievable rent)	1.5	4.0
Operating costs not chargeable (in % of achievable rent)	7.5	1.0
Discount rate in %	5.25	5.25
Capitalization interest rates in %	4.25	5.50
Multiplier in case of resale after ten years*	23.5	18.2
Incidental acquisition costs upon resale in %	4.75	4.5

* Multiplier not relevant due to high vacancy rate

We refer to the explanations in Note 6.3 as regards the fair value of the held-for-sale investment properties.

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

—

FAIR VALUES

in € million	**2020**	**2019**
Office/residential	38.4	23.0
Total	**38.4**	**23.0**

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.

—

SENSITIVITY ANALYSIS

				12/31/2020
	Discount rate		**Market rent**	
in € million	–0.25 %	0.25 %	5.0 %	–5.0 %
Office/ residential	2.5	–2.2	1.7	–1.7
Total	**2.5**	**–2.2**	**1.7**	**–1.7**

—

				12/31/2019
	Discount rate		**Market rent**	
in € million	–0.25 %	0.25 %	5.00 %	–5.00 %
Office/ residential	0.5	–0.6	0.3	–0.4
Total	0.5	–0.6	0.3	–0.4

The Commercial Properties Development segment, consisting of the subgroup Development Partner AG and the subsidiaries Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH and Storkower Straße 142–146 PE GmbH (together the “target companies”), meets the criteria set out in IFRS 5 for a classification as “Non-current assets held for sale and discontinued operations”.

After the reporting date, but prior to the approval of the publication of the financial statements, a share purchase agreement for the sale of the target companies, subject to certain conditions precedent, was signed on February 3, 2021, with IMFARR Beteiligungs GmbH after intense sales negotiations and was closed in March 2021. We refer to Note 7.8.A. in this context.

6.9 EQUITY

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

As of December 31, 2020, the **share capital** amounts to € 186,764,040 (previous year: € 186,764,040) and is divided into 186,764,040 (previous year: 186,764,040) no-par-value bearer shares with a notional value in the share capital of € 1 per share. The following table shows the development of the number of shares outstanding:

—

NUMBER OF SHARES

	2020	2019
Shares outstanding as of 01/01	186,764,040	169,785,491
Issue of new shares in connection with a business combination	0	0
Issue of new shares against cash payment	0	16,978,549
Balance as of 12/31	186,764,040	186,764,040

The Management Board was authorized at the Annual General Meeting of August 22, 2018, to increase the Company's share capital, subject to the consent of the Supervisory Board, by up to a total of 84,892,745 new no-par-value bearer shares of GATEWAY against payment in cash and/or in kind on one or more occasions by up to € 84,892,745 in the time until August 21, 2023 (Authorized Capital 2018/I). In the previous year, the Management Board made use of this authorization as follows.

On March 20, 2019, the Management Board of GATEWAY resolved, based on the consent of the Supervisory Board given at the same date, to issue up to 16,895,939 new no-par value registered shares – each with a notional value in the share capital of € 1 per share and full dividend entitlement from January 1, 2018 – partially utilizing the authorized capital by way of a rights issue against cash contributions and at a placement price of € 4 per share within the context of an international placement at institutional investors. Moreover, the existing shareholders shall be offered another 82,610 new shares at a subscription price corresponding to the placement price. The placement was fully executed on April 10, 2019, so that the share capital was increased by a total of € 16,978,549 to € 186,681,430.

In addition, GATEWAY shares held by the main shareholder in the amount of around 15 per cent of subscribed capital following the capital increase were sold to institutional investors. Hence, the total issue volume of the private placement amounted to approximately € 180 million.

The gross issue proceeds from the private placement received by the Company amount to € 67.6 million. In addition, the Company recorded gross issue proceeds in the amount of € 0.3 million from the sale of the subscription shares to the existing shareholders. The transaction costs of € 0.6 million arising in the context of this capital increase were recorded directly in equity under additional paid-in capital. Tax benefits were taken into account.

The placement and the associated increase in free float were a prerequisite for the admission of GATEWAY to the Prime Standard of the Frankfurt Stock Exchange, which means that GATEWAY has been a publicly-traded company since 2019.

No actions with respect to the share capital were resolved during the reporting period.

After the capital increases resolved and executed in the previous year, authorized capital amounts to € 67,914,196 in the reporting period, unchanged from the previous year.

The purpose of the **capital reserve** is to recognize share premiums that are paid during the issue of shares exceeding the nominal amount of subscribed capital. The capital reserve is negative in particular due to the adjustment of Development Partner's subscribed capital to the subscribed capital of GATEWAY as the legal acquirer as a result of the reverse acquisition in 2018. The capital increase executed in the previous year and the associated share premium received resulted in a reduced negative balance of the capital reserve.

By way of a Management Board resolution dated March 12, 2021, the unappropriated reserve of Gateway Real Estate AG in the amount of € 366,327 thousand was reversed in accordance with Section 270 (1) HGB. The amount withdrawn was transferred to the distributable profit. Accordingly, the negative balance of the capital reserve increased in the reporting year.

The capital reserve reported as of the reporting date is as follows:

—

in € thousand	2020	2019
Opening balance as of 01/01	**–22,804**	**–73,266**
Proceeds from the issue of shares	0	50,936
Costs for the issue of shares	0	–495
Reversal of capital reserve	–366,327	0
Other	0	21
Closing balance as of 12/31	**–389,131**	**–22,804**

The **retained earnings** comprise the accumulated and as yet unappropriated prior year profits of Development Partner as the acquirer for accounting purposes. The result of GATEWAY has been included in the profit for the year since October 5, 2018.

The following **dividends** were resolved and paid by GATEWAY in the reporting period:

—

in € thousand	2020	2019
€0.30 per qualifying share (previous year: €0.10)	56,029	18,676

After the reporting date, the following dividends were proposed by the Management Board, subject to the consent of the Supervisory Board. The dividends were not recognized in the financial statements.

—

in € thousand	2020	2019
€0.00 per qualifying share (previous year: €0.30)	0	56,029

The decrease in **non-controlling interests** by € 440 thousand in 2020 is primarily attributable to profits attributable to non-controlling interests as well as on consolidation effects.

6.10 OTHER PROVISIONS

Please refer to Note 2.13 for information on the accounting methods.

Other provisions are composed of the following:

—

in € thousand	12/31/2020	12/31/2019
Non-current provisions		
Other provisions (remaining term > 1 year)	0	629
	0	**629**
Current provisions		
Other provisions (remaining term < 1 year)	452	1,448
	452	**1,448**

Other current provisions primarily comprise provisions for profit participation rights of banks with respect to project developments.

The decline in other non-current provisions is primarily attributable to the utilization of provisions. No details are given as to the development due to the minor significance of other provisions for the Group.

Provisions for employee benefits expense, which mainly concern bonuses, severance payments as well as outstanding vacation entitlements, are reported under other non-financial liabilities. We refer to Note 6.12.

6.11 FINANCIAL LIABILITIES

Please refer to Note 2.14 for information on the accounting methods.

Financial liabilities break down as follows:

—

in € thousand	12/31/2020	12/31/2019*
Non-current financial liabilities		
Liabilities to banks	73,737	150,640
Liabilities to related parties	0	311
Liabilities to third parties	72,558	55,553
Liabilities to related parties from bonds	0	63,737
Liabilities to third parties from bonds	47	73,148
	146,342	**343,389**
Current financial liabilities		
Liabilities to banks	148,274	179,596
Liabilities to related parties	49,250	69,394
Liabilities to third parties	124,037	23,631
Liabilities to related parties from bonds	38,194	0
Liabilities to third parties from bonds	99,897	0
	459,652	**272,620**
Total	**605,994**	**616,009**

* In the prior year, the item "Limited partners' share, non-controlling interests" was reported under financial liabilities. The Company deviates from the consistency principle in this context and now reports this item under other financial liabilities to enable the user to make a clear distinction to loans. We refer to Note 6.12.

The terms of the non-current financial liabilities in the amount of € 146,342 thousand (previous year: € 343,389 thousand) are longer than one year. They are collateralized in the amount of € 143,889 thousand (previous year: € 237,569 thousand) for the benefit of the lender by way of land charges on the properties underlying the financing.

The current financial liabilities have a remaining term of up to 12 months. They primarily include the current portion of the liabilities in connection with the acquisition of properties or the financing of the development projects. Current financial liabilities of € 459,652 thousand (previous year: € 272,620 thousand) are collateralized for the benefit of the lenders by way of land charges on the properties underlying the financing in the amount of € 268,522 thousand (previous year: € 98,354 thousand).

The majority of the loans are at fixed interest rates. Loans with a remaining value of € 202,074 thousand as of December 31, 2020 (previous year: € 221,649 thousand) are subject to a variable interest rate based on the EURIBOR and EONIA). The interest rates in 2020 were between 1.55% and 20.0% for the loans from third parties, the majority of which is collateralized. We refer to Note 7.3 for details on the terms of the financial liabilities towards related companies.

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

6.12 TRADE PAYABLES AND OTHER LIABILITIES

Please refer to Note 2.14 for information on the accounting methods. Trade payables of € 68,649 thousand (previous year: € 60,215 thousand) are mainly related to the acquisition of an entitlement to transfer real estate (€ 50,294 thousand, see Note 6.6) and the purchase or construction as well as the leasing of properties. As of the reporting date, the other financial liabilities break down as follows:

—

OTHER FINANCIAL LIABILITIES

in € thousand	12/31/2020	12/31/2019
Contract liabilities	4,491	0
Lease liabilities	2,802	2,534
Liabilities, non-controlling interests*	834	123
Security deposits received	82	67
Other	2,306	3,086
thereof to related parties	2	3
	10,515	**5,810**
thereof non-current	3,009	2,345
thereof current	7,506	3,465

* In the previous year, the item was reported under financial liabilities. The Company deviates from the consistency principle in this case to enable the user to make a clear distinction to loans.

The item "Other" includes a liability from the retention of the purchase price in the amount of €1,500 thousand of Augskor 2 GmbH (S.à r.l.) to Ledvance GmbH.

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

—

OTHER NON-FINANCIAL LIABILITIES

in € thousand	12/31/2020	12/31/2019
Advance payments received	11,757	119
Liabilities from other taxes	3,012	2,491
Liabilities for personnel	2,136	2,531
Deferred income	234	0
VAT liabilities	49	25
Other	45	359
thereof to related parties	0	0
	17,233	**5,525**
thereof non-current	0	0
thereof current	17,233	5,525

The increase of the item "Advance payments received" mainly results from advance payment made by the buyer of the property of Gateway Vierte GmbH in Hamburg in the amount of € 11,500 thousand. The remaining purchase price is expected to be received within one year, so that the passing of possession (benefits and obligations) will be completed within the same period.

We refer to Note 3.7 for information on liquidity risks of GATEWAY as regards trade payables as well as other liabilities.

6.13 DEFERRED TAX

Please refer to Note 2.16 for information on the accounting methods.

Deferred tax liabilities of € 47,836 thousand (previous year: € 15,118 thousand) and deferred tax assets of € 10,285 thousand (previous year: € 3,615 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 carryforwards and deductible temporary differences in the following items of the statement of financial position:

—

DEFERRED TAX ASSETS

in € thousand	2020	2019
Assets		
Inventories	3,493	2,298
Other non-financial assets	258	0
Liabilities		
Non-current financial liabilities	0	642
Other current financial liabilities	949	194
Other non-current financial liabilities	678	21
Trade payables	1,377	0
Other non-financial liabilities	412	0
Other provisions	31	0
Tax loss carryforwards	**8,823**	**4,178**
Sub-total of deferred tax assets	**16,021**	**7,333**
Netting with deferred tax liabilities	–5,736	–3,718
Total	**10,285**	**3,615**

As of December 31, 2020, the Group recorded deferred tax assets for companies that incurred a loss in the current or the previous period, with these deferred tax assets exceeding the deferred tax liabilities by € 511 thousand (previous year: € 335 thousand). The basis for the recognition is the fact that substantial evidence exists indicating their future recoverability. This was confirmed in the year under review by the planned income from the sale of the respectively held properties.

No deferred tax assets were recognized in respect of temporary differences amounting to € 492 thousand (previous year: € 6,964 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 carryforwards of € 39,877 thousand (previous year: € 27,996 thousand), local trade tax loss carryforwards of € 34,656 thousand (previous year: € 29,141 thousand) as well as the interest carryforwards of € 21,123 thousand within the meaning of the interest cap pursuant to Section 4h of the German Income Tax Act (EStG) (previous year: € 15,069 thousand) existed within the Group as of the reporting date. No deferred tax assets were recognized in respect of corporate income tax loss carryforwards amounting to € 9,648 thousand (previous year: € 12,396 thousand), local trade tax loss carryforwards amounting to € 9,065 thousand (previous year: € 18,206 thousand) and the interest carryforward amounting to € 21,123 (previous year: € 15,069 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. The loss carryforwards 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:

—

DEFERRED TAX LIABILITIES

in € thousand	2020	2019
Assets		
Property, plant and equipment	962	672
Non-current assets	19,751	1,423
Other non-current financial assets	7,657	76
Inventories	9,507	10,359
Non-current assets held for sale	8,408	3,698
Current assets	2,649	0
Liabilities		
Other provisions	43	103
Non-current financial liabilities	203	2,505
Financial liabilities	4,392	0
Sub-total of deferred tax liabilities	**53,572**	18,836
Netting with deferred tax assets	–5,736	–3,718
Total	**47,836**	**15,118**

The change in the total excess of deferred tax liabilities (€ 37,551 thousand) over the previous year (€ 11,503 thousand) in the amount of € 26,048 thousand are recognized through profit or loss in the amount of € 26,041 thousand.

The temporary differences between the IFRS carrying amounts of shares in subsidiaries and the tax base of these shares (so-called outside basis differences), which may result in deferred tax liabilities, amount to €10,301 thousand as of the reporting date (previous year: €1,250 thousand) and do not represent a basis for the recognition of deferred taxes since these differences will not reverse in the foreseeable future.

6.14 REVENUE

Please refer to Note 2.17 for information on the accounting methods.

The Group generated revenues of € 55,518 thousand in the period from January 1 to December 31, 2020 (previous year. € 94,442 thousand). GATEWAY mainly generates revenues from the sales of inventory properties, the rental of inventory properties and investment 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	2020	2019
Rental revenues in accordance with IFRS 16		
Rental revenues on inventory properties	4,726	6,275
Rental revenues from investment properties	2,854	738
Rental revenues from IFRS 5 properties	884	15,883
Rental revenues from sub-letting	16	69
	8,480	**22,965**
Revenues in accordance with IFRS 15		
Revenues from the sale of inventory properties	43,899	63,625
Revenues from operating costs	1,618	865
Revenues from services	1,117	2,807
Revenues from operating costs of IFRS 5 properties	214	3,367
Revenues from cost charges to others and building cost subsidies	190	136
Other	0	677
	47,038	**71,477**
thereof over time	30,503	20,866
thereof at a point in time	16,535	50,611
Total	**55,518**	**94,442**

Of the overall revenues, € 47,038 thousand (previous year: € 71,477 thousand) fall under the scope of IFRS 15 and € 8,480 thousand (previous year: € 22,965 thousand) fall under the scope of IFRS 16. With respect to revenues under the scope of IFRS 15, with the exception of revenues from services (management services agreements), forward sales and operating costs not yet charged, revenue is recognized at a certain point in time. In contrast, revenues related to associates and joint ventures, are mainly recognized over time.

The rental revenues on inventory properties and investment properties do not fall under the scope of IFRS 15 and therefore no revenue recognition was carried out over time, but only revenue recognition in the period in which it accrues.

The following table presents information about receivables, contract assets and contract liabilities from contracts with customers.

—

in € thousand	12/31/2020	12/31/2019
Receivables included in trade and other receivables	0	0
Receivables included in held-for-sale assets	0	0
Contract assets	4,096	10,830
Contract liabilities	4,491	0

Contract assets mainly refer to GATEWAY's claims for a consideration for completed work for construction projects of Projektentwicklung Uerdinger Straße Office GmbH and Projektentwicklung Rudolfplatz in Köln GmbH that has not been invoiced as of the reporting date. Contract assets result from construction obligations that are invoiced only after the acceptance individual stages of constructions. Contract assets are reclassified to receivables when the rights become unconditional. As a rule, this is the case when GATEWAY issues an invoice to its customers.

The contract assets as of December 31, 2020, amount to € 4,096 thousand (previous year: € 10,830 thousand) and are reported in the current item "Other financial assets". We refer to Note 6.6.

Contract liabilities largely refer to advance payments received from customer for satisfying the construction obligations for which revenue is recognized over a particular time period. They result from Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH and amount to € 4,491 thousand as of December 31, 2020 (previous year: € 0 thousand). The current liabilities are reported in the current item "Other financial liabilities". We refer to Note 6.12.

In the past fiscal year, the contract assets declined by € 6,734 thousand, while contract liabilities rose by € 4,491 thousand. This movement results primarily from Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH since this project development realized less revenue compared with the previous year than what way received according to the plan of payments. The amount of € 10,830 thousand included in the contract assets as of December 31, 2019, was received in the past fiscal year.

As of December 31, 2020, the value of the transaction prices of the performance obligations from construction projects that have not been satisfied at all (or have not been satisfied in part) amounts to € 109,067 thousand (previous year: € 78,710 thousand). The Group expects that the revenue from these performance obligations from construction projects will be received over time by the year 2022.

The overall investment costs have increased compared with the previous year, which has an impact on the determination of the percentage of completion and accordingly on revenue recognition.

6.15 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

The changes in inventories of finished goods and work in progress relate to the capitalized production costs for the inventory properties, which include € 20,879 thousand (previous year: € 20,172 thousands) in capitalized interest on borrowed capital. The major changes in inventories arise from the companies SKE Immo Sulzbach GmbH (S.à r.l.) (€ 51,073 thousand), Augskor 1–3 GmbH (S.à r.l.) (€ 39,211 thousand), Revaler Straße 32 PE GmbH (€ 7,183 thousand), Storkower Straße 140 PE GmbH (€ 15,898 thousand), Storkower Straße 142–146 PE GmbH (€ 13,908 thousand) and Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH (€–16,074 thousand).

The changes in inventories were reduced by € 16,074 thousand as a result of the sale of the inventory property of Projektentwicklung Uerdinger Straße Office GmbH within the context of the forward sale.

Overall, changes in inventories amount to € 144,926 (previous year: € 221,499 thousand).

—

in € thousand	2020	2019
Increase in inventory due to purchase of properties, construction activity and capitalization of interest on borrowed capital	144,926	221,499
	144,926	**221,499**

The significant decline in inventories results from the development projects Mediaspree in Berlin GmbH (€ 72,160 thousand), Projektentwicklung Campus Park München (€ 62,113 thousand), Projektentwicklung Technologiecampus Großraum Stuttgart GmbH (€ 14,070 thousand) as well as Revaler Straße 32 PE GmbH (€ 66,512 thousand), which were purchased and capitalized in the previous year.

6.16 RAW MATERIALS AND CONSUMABLES USED

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

—

in € thousand	2020	2019*
Land	100,146	209,505
Construction costs	27,833	6,227
Project development costs	26,234	13,834
Other ancillary construction costs	3,045	5,256
Administration costs	5,257	12,741
	162,515	**247,563**

* Sub-classification adjusted compared to the previous year: 1. Purchased services: construction costs, project development costs and other ancillary construction costs / 2. Professional fees/projects: project development costs / 3. Other project costs: project development costs / 4. Other construction costs: construction costs.

The significant decrease in administration costs is due to the sale of the April entities (standing assets) in the previous year and the related decline in letting activities.

The increase in construction and project development costs is above all attributable to the intensified construction activity in relation to PE Himmelgeister Straße in Düsseldorf I GmbH, PE Technologiecampus, Großraum Stuttgart GmbH, Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH and Storkower Straße 142–146 PE GmbH.

6.17 EMPLOYEE BENEFITS EXPENSE

Besides the members of the Management Board, the Group had 57 (previous year: 47) employees as of the end of the reporting period and 57.4 (previous year: 46.6) employees on average for the year. The employee benefits expense incurred are broken down as follows:

—

in € thousand	2020	2019*
Wages and salaries	8,226	8,606
Valuable benefits and contributions to capital formation	382	377
Social security contributions and pensions	686	659
	9,294	9,642

* Sub-classification adjusted compared to the previous year: Salaries: wages and salaries, valuable benefits and contributions to capital formation.

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

6.18 OTHER OPERATING INCOME AND EXPENSES

Other operating income includes the following amounts:

—

in € thousand	2020	2019*
Income from the reduction of liabilities	1,990	499
Income from insurance benefits	539	300
Other prior-period income	350	3,921
Income from deconsolidation	267	0
Income from the reversal of provisions	127	1,070
Own work capitalized (implementation of CCH Tagetik)	120	0
Other in-kind benefits charged, motor vehicle 19%	114	126
Gains from the disposal of financial investments	86	86,111
Income from the reversal of specific valuation allowances	38	0
Other	667	5,233
	4,298	97,260

* Sub-classification adjusted compared to the previous year: 1. Gains from the disposal of financial investments: proceeds from the sale of company shares and result from the sale of Südmeile / 2. Other: Costs charged to others, tax-exempt, Income from cost charges, Reimbursements relating to Expenditure Compensation Act, General partner compensation and Other.

Income from deconsolidation in the amount of € 350 thousand results from the deconsolidation of ABK Wohnraum GmbH & Co. KG as of March 31, 2020.

Other operating expenses include the following amounts:

—

in € thousand	2020	2019*
Specific valuation allowances and bad debt losses	10,523	732
Legal and consulting expenses	2,395	4,198
Compensation payment to shareholders	1,923	3,087
Selling expenses	1,847	2,332
Accounting, financial statements and auditing expenses	1,766	4,855
Losses from the disposal of financial investments	1,276	12
Other project development costs that cannot be capitalized	691	1,022
Expenses for insurance, premiums and dues	304	295
IT expenses	169	379
Payment transaction costs	147	323
Travel expenses	118	104
Non-deductible input tax	317	238
Remuneration of the Supervisory Board	153	454
Tenant brokerage commissions	0	4,446
Costs of capital increase	0	1,468
Other	878	3,041
	22,507	26,986

* Sub-classification mainly adjusted compared to the previous year as follows: 1. Other project development costs that cannot be capitalized: purchased services and other project development costs / 2. Payment transaction costs: other financing expenses / 3. Selling expenses: selling expenses for properties, costs for termination of purchase contract, advertising expenses property and leasing expenses / 4. Other: prior-period expenses, other tax expenses, disposal losses, continuing education expenses, replacement space for a let property, space costs, advertising and motor vehicle expenses, and other.

Selling expenses include property-related selling expenses in the amount of € 1,413 thousand and advertising expenses in the amount of € 434 thousand. The losses from the disposal of financial investments primarily result from the sale of the April companies.

The significant increase in the expenses for specific valuation allowances and bad debt losses mainly results from the expected permanent impairment of other financial assets in the amount of € 10,233 thousand. The decrease in legal and consulting expenses is attributable to the initial public offering to the Prime Standard in the previous year. The reduction of accounting, financial statements and auditing expenses is primarily due to the services in relation to the preparation of the financial statements, which are now performed inhouse.

6.19 NET FINANCE COSTS

Net finance costs can be broken down as follows:

—

in € thousand	2020	2019
Profit or loss from investments accounted for using the equity method, after taxes	3,769	9,884
Finance income	2,662	2,499
Interest expenses for leases	–79	–47
Third party profit or loss shares	–347	18
Finance costs	–28,008	–29,526
	–22,003	**–17,172**

Finance income mainly result from the origination of debt to related companies of the Group. Please refer to Note 7.3 for details on these loans.

The finance costs predominantly result from borrowings to finance the development projects. An amount of € 20,879 thousand (previous year: € 20,172 thousand) of these finance costs was capitalized in the reporting period (see Note 6.15). The profit and loss shares in companies accounted for using the equity method are explained in Note 6.4.

6.20 INCOME TAX EXPENSE

Please refer to Note 2.16 for information on the accounting methods.

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. Commercially operating or predominantly commercial enterprises with the legal form of an unincorporated partnership are only subject to the local trade tax. For purposes of taxation based on corporate income tax, the tax result is directly attributed to the shareholder.

The expected nominal income tax rate for the Group's parent company Gateway Real Estate AG in 2020 is 31.925% (previous year: 31.925%) and is calculated as follows:

—

in %	2020	2019
Corporate income tax	15.0	15.0
Solidarity surcharge	0.825	0.825
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	2020	2019
Current income taxes	859	5,456
Deferred income taxes	26,041	–627
For temporary differences	33,028	–385
For tax loss carryforwards	–4,645	–1,606
From consolidation	–2,342	1,364
Income tax expense	**26,900**	**4,829**

The current income taxes for the 2020 fiscal year were influenced by tax income from prior years in the amount of €513 thousand (previous year: tax expense of €224 thousand). The deferred income tax expenses of €26,041 thousand (previous year: deferred income tax income of €627 thousand) are composed of the change in deferred tax assets in respect of loss carryforwards in the amount of €4,645 thousand (previous year: income of €1,606 thousand), the increase in netted deferred tax liabilities in respect of temporary differences in the amount of €33,028 thousand (previous year: reduction of the balance of €385 thousand), and a deferred tax income in respect of consolidation issues in the amount of €2,342 thousand (previous year: €1,364 thousand).

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

—

in € thousand	2020	2019
Profit before tax	116,677	131,804
Tax rate in %	31,925	31.925
Expected tax expense	37,249	42,078
Tax effects on		
Tax rate differences	–17,553	–270
Change of permanent differences	–120,322	–756
Taxes prior years	–439	–8,078
Tax-exempt income and non-tax-deductible expenses	131,586	–28,986
Local trade tax corrections	415	–3,712
Tax group effect	0	–171
Change in the non-recognition of deferred tax assets in respect of loss carryforwards and use of non-recoverable loss carryforwards from prior years	–2,759	2,506
Change in the non-recognition of deferred tax assets in respect of asset differences	–1,834	1,999
Loss expiration pursuant to Section 8c KStG, Section 10a GewStG	762	509
Other	–205	–290
Actual tax expenses (+) or tax income (–)	**26,900**	**4,829**

Based on the actual income taxes, the effective tax rate for the fiscal year is 23.1% (previous year: 3.66%).

The tax rate differences concern, besides different local tax rates of various Group companies, primarily the fact that domestic income of foreign corporations is exempt from trade taxes. The change of permanent differences is largely due to the write-down of the shares held in Development Partner AG to the fair value under German tax law *(Teilwert)*. Since this write-down represents a non-deductible operating expense, the reconciliation includes a corresponding offsetting effect.

6.21 LEASES

Please refer to Note 2.19 for information on the accounting methods.

A. LEASES AS LESSEE (IFRS 16)

GATEWAY rents office space in the locations of Duesseldorf, Frankfurt am Main and Berlin. Moreover, the Group makes monthly payments for existing heritable building rights that also meet the definition of leases. The terms of the leasing agreements are between four and ten years and include options to extend the lease terms after this period. Several of the underlying rental payments are linked to price indices. Within the framework of a lease, an adjustment of the rental payments is made no earlier than upon an increase or decrease of the consumer price index by at least 5% compared to a defined baseline; the adjustment is then made in the same direction and by the same percentage.

Furthermore, in the past fiscal year, the Group has sublet a part of the rented office space in Duesseldorf. The sublease expired on February 29, 2020. The sublease was classified as an operating lease from the lessor's perspective and the lease payments were recognized as income.

GATEWAY rents motor vehicles. The term of the lease agreements for the motor vehicles is between three and four years. There are no extension options and the lease agreement contains fixed lease payments.

GATEWAY also rents a part of the IT equipment in use. If the underlying contractual relationships are not classified as short-term leases or as a low-value asset, right-of-use assets and lease liabilities are recognized. The contractual term of printers and multi-mode devices are between one and three years and the lease agreement contains fixed lease payments.

Information about leases with the Group as lessee are presented in the following.

a) Right-of-use assets

Right-of-use assets that do not meet the definition of investment properties are presented as part of property, plant and equipment (see Note 6.2).

—

in € thousand	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2019	**63**	**2,693**	**92**	**2,848**
Depreciation in the fiscal year	53	331	33	417
Additions to right-of-use assets	159	0	0	159
Disposals of right-of-use assets	0	442	0	442
Balance as of 12/31/2019	**169**	**1,920**	**59**	**2,148**
Depreciation in the fiscal year	98	447	40	585
Additions to right-of-use assets	192	612	31	835
Disposals of right-of-use assets	0	0	0	0
Balance as of 12/31/2020	**263**	**2,085**	**50**	**2,398**

b) Amounts recognized in profit or loss

—

in € thousand	2020	2019
Leases in accordance with IFRS 16		
Income from subleases of right-of-use assets, presented in revenue	16	69
Expenses for short-term leases	0	–167
Expenses for leases of low-value assets	–3	0
Interest expenses for lease liabilities	–79	–47
Depreciation of right-of-use assets	–585	–417

c) Amounts recognized in the cash flow statement

—

in € thousand	2020	2019
Total cash outflows for leases	–647	–258

d) Extension options

Several property leases include extension options. Extension options may only be exercised by GATEWAY, not by the lessor. As of the commencement date, the Group assesses whether it is reasonably certain that the extension option is exercised and, on that assumption, determines the useful life. When a significant event or a significant change in circumstances occurs that are outside of the Group's control, it reassesses whether the exercise of the extension option is reasonably certain.

The Group expects that the potentially future lease payments would lead to a lease liability of € 1,933 thousand (previous year: € 1,889 thousand) if the extension options are exercised.

e) Future leases

The Group entered into a lease after the end of the reporting period; therefore, the related lease liability is not taken into account. This lease refers to the lease of office premises in Berlin and is expected to lead to the following undiscounted cash outflows:

—

FUTURE LEASES WITH A COMMENCEMENT DATE AFTER THE REPORTING DATE

in € thousand	2020	2019
Less than one year	161	110
Between one and two years	193	133
Between two and five years	0	397
More than five years	0	30
Total	**354**	**670**

B. LEASES AS LESSOR (IFRS 16)

GATEWAY acts as the lessor within the context of properties held as inventory properties and investment properties. In case of the inventory properties, this refers to the lease termination phase and rental contracts already entered into for buildings under construction, respectively. Note 6.3 includes information on investment properties. The Group classifies these leases as operating leases since not substantially all the risks and rewards of ownership are transferred.

The Group recorded lease income in the amount of € 8,481 thousand (previous year: € 22,965 thousand) in the reporting period.

The following table presents a maturity analysis of future lease receivables and shows the undiscounted lease payments to be received after the reporting date.

—

in € thousand	2020	2019
Operating leases in accordance with IFRS 16		
Less than one year	7,179	7,707
One to two years	5,320	7,059
Two to three years	11,853	3,421
Three to four years	11,941	3,403
Four to five years	11,968	3,370
More than five years	111,939	10,383
Total	**160,200**	**35,343**

The substantial increase of future lease receivables primarily results from the expected rental income starting on September 30, 2021, from the property of Projektentwicklung Technologiecampus Großraum Stuttgart GmbH.

The Group has been taking comprehensive measures to minimize the risks arising from the rented properties. Initially, GATEWAY seeks to minimize the risk of loss of rental income through a prudent selection of contracting parties. In addition, the usual hedging instruments are used, such as rent deposits or guarantees. Potential bad debts are addressed through a structured receivables management process. With regard to the risk of loss of rental income, the Management Board assumes a possible probability of occurrence and, if it does occur, expects a low financial impact. Please refer to Chapter 3.2.1 of the Group management report.

7. OTHER DISCLOSURES

7.1 EARNINGS PER SHARE

The basic earnings per share are as follows:

—

in €	2020	2019
Earnings per share	**0.48**	**0.69**

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 fiscal year as follows:

A. ATTRIBUTION OF PROFIT TO COMMON SHAREHOLDERS (BASIC)

—

in € thousand	2020	2019
Profit attributable to owners of the parent company	90,335	125,976
Profit attributable to holders of common shares	90,335	125,976

The average number of shares is calculated as follows:

B. WEIGHTED AVERAGE OF COMMON SHARES (BASIC)

—

in thousands of shares	2020	2019
Common shares outstanding as of 01/01	186,764	169,785
Common shares issued in connection with a capital increase in April 2019	0	16,979
Common shares outstanding as of 12/31	186,764	186,764
Weighted average number of common shares as of 12/31	**186,764**	**182,048**

In the comparative period, the average number of common shares outstanding is calculated as the time period-weighted sum of outstanding common shares before and after the capital increase on April 10, 2019 (100/360 * 169,785,491 + 260/360 * 186,764,040).

7.2 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As of December 31, 2020, the Group has contingent liabilities with respect to contingencies, order commitments and rental contracts.

Contingencies 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 Group had the following contingencies as of December 31, 2020:

—

Type of security	Beneficiary	Amount in € million
Surety	PRS Family Trust	3.4
Guarantee	PRS Family Trust	3.8
Surety	Projektentwicklung Am Barmbeker Bahnhof in Hamburg GmbH	1.3
Total		**8.5**

The utilization of the abovementioned securities provided is unlikely in our view as we expect on the basis of the economic condition of the beneficiary companies that they will meet their obligations.

The order commitment for investment projects amounts to €56,402 thousand (previous year: € 21,396 thousand).

In the fiscal year 2020, right-of-use assets and lease liabilities were accounted for in accordance with IFRS 16. We refer to Notes 6.21 and 2.3.

7.3 MATERIAL TRANSACTIONS WITH RELATED PARTIES

A. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

SN Beteiligungen Holding AG, Switzerland, (a company related to Norbert Ketterer, Rüschlikon/Switzerland; in the following also referred to as “SNBH”) held the majority of the voting rights in the Company in the period from January 1, 2020 to May 7, 2020 and constituted the Company’s controlling party for the same period. On May 7, 2020, SNBH sold all of its shares in the Company to Norbert Ketterer. In this context, Norbert Ketterer notified the Company that his share of voting rights in Gateway Real Estate AG on May 7, 2020 amounted to 66.24% (123,712,159 voting rights), with 66.19% or 123,616,650 of the voting rights being directly held and 0.05% or 9,550 of the voting rights representing voting rights attributed to him. Since May 7, 2020, Norbert Ketterer personally is the controlling majority shareholder and the controlling company within the meaning of Section 312 AktG.

B. COMPENSATION OF MEMBERS OF KEY MANAGEMENT PERSONNEL

The members of the Supervisory Board and the Management Board of GATEWAY are the key management personnel within the meaning of IAS 24.9. The compensation of the active members of the Management Board and the Supervisory Board comprises:

—

in € thousand	2020	2019
Short-term benefits	1,154	1,142
	1,154	**1,142**

The benefits exclusively refer to non-performance-related compensation components and include, in terms of the Management Board compensation, a fixed compensation as well as fringe benefits for using the member's own car for business matters in a total amount of €1,037 thousand (previous year: €1,038 thousand). As in the comparative period, the members of the Management Board were not granted any advances or loans in the reporting period.

The members of the Supervisory Board exclusively receive a fixed compensation and received a compensation of a total of €117 thousand (previous year: €104 thousand) in the current fiscal year.

The members of the Supervisory Board were not granted any advances or loans in the reporting period. For further information, we refer to the remuneration report in the management report.

C. TRANSFER OF SHARES BY RELATED COMPANIES IN THE FISCAL YEAR

According to Note 2.3 c. "Changes in the scope of consolidation", 94.5% – and hence all – of the shares in ABK Wohnraum GmbH & Co. KG, Leipzig were sold to Peires AG, Leipzig, a company controlled by Nobert Ketterer, effective March 30, 2020.

By contract dated December 10, 2019, Gateway Residential GmbH, Frankfurt am Main, sold its shares in LE Quartier 1.4 GmbH, Leipzig – including the property holdings –, in Jugendstilpark München 1 Holding GmbH, Leipzig – including the shares held as well as the property holdings –, in LE Quartier 1.5 GmbH, Leipzig, as well as in LE Quartier 1.6 GmbH, Leipzig, ("Purchase Agreement 1") for a purchase price of €23,428,326.00. Jugendstilpark München 1 Holding GmbH, for its part, holds 50% of the shares in Casa Nova GmbH, Grünwald, Casa Nova 2 GmbH, Grünwald, Casa Nova 3 GmbH, Grünwald, as well as Projektgesellschaft Jugendstilpark München mbH, Leipzig, that are also transferred in the context of the transaction. The acquirer was SN Beteiligungen Holding AG, Zug/Switzerland, a company controlled by Norbert Ketterer. Accordingly, the companies were disposed within the context of deconsolidation.

By contract dated December 10, 2019, Gateway Residential GmbH, Frankfurt am Main, sold its limited partnership interest in LE Quartier 1 GmbH Co. KG, Leipzig, ("Purchase Agreement 2") for a purchase price of €26,997,634.30. The acquirer was SN Beteiligungen Holding AG, Zug/Switzerland, a company controlled by Norbert Ketterer. Accordingly, the company was disposed within the context of deconsolidation.

By contract dated December 10, 2019, Gateway Residential GmbH, Frankfurt am Main, sold its limited partnership interest in LE Quartier 5 GmbH & Co. KG, Leipzig, ("Purchase Agreement 3") for a purchase price of €6,081,685.10. The acquirer was SN Beteiligungen Holding AG, Zug/Switzerland, a company controlled by Norbert Ketterer. Accordingly, the company was disposed within the context of deconsolidation.

In order to settle the total purchase price of the above-mentioned Purchase Agreements 1–3 dated December 10, 2019, in the amount of €66,507,645.40, SN Beteiligungen Holding AG, Zug/Switzerland – a company controlled by Norbert Ketterer – assigned the loan receivables to Gateway Residential GmbH, Frankfurt am Main, by way of an agreement dated December 18, 2019. The total volume of the assigned loan receivables amounts to €66,507,645.40 and exclusively are due from the Group parent Gateway Real Estate AG, Frankfurt am Main. The assignment became effective on December 19, 2019.

By way of an agreement dated December 21, 2019, between Gateway Residential GmbH, Frankfurt am Main, as seller of the loan receivables, and Gateway Real Estate AG, Frankfurt am Main, as borrower, the netting with the receivable of Gateway Real Estate AG, Frankfurt am Main, as regards the interim profit distributions due to the resolution passed by the shareholders of Gateway Residential GmbH, Frankfurt am Main, dated December 21, 2019, in the amount of €64,000,000.00 was declared and executed.

By contract dated December 20, 2019, Gateway Residential GmbH, Frankfurt am Main, disposed shares in the amount of 79% of the total shares in Projektentwicklung Taunusstr. 52–60 in Frankfurt GmbH, Duesseldorf, for a purchase price of €18,543,570.00. The acquirer was Taunusstr. 52–60 in Frankfurt GmbH & Co. KG, Leipzig, a company which is controlled by Susanne Ketterer – via an indirect stake in its general partner – and by Norbert Ketterer – via a direct stake in its sole limited partner. Accordingly, the company was disposed within the context of deconsolidation; the remaining 11% of the shares still held by Gateway Residential GmbH, Frankfurt am Main, will be reported as an equity investment under other non-current financial assets. We refer to Note 6.6.

D. TRANSACTIONS BETWEEN THE COMPANY AND SN BETEILIGUNGEN HOLDING AG AS WELL AS KETOM AG

In fiscal year 2020, SN Beteiligungen Holding AG – a company controlled by Norbert Ketterer – granted the following loan to the Company:

—

Date of conclusion of agreement	Maturity	Interest rate	Amount in € thousand	Purpose/ project
08/13/2020	12/31/2021	4.25%	8,181	EKZ Duisburg
09/23/2020	12/31/2021	8.00%	40,000	Golden Fields

LOAN OF THE COMPANY TO KETOM AG

Based upon an agreement dated March 19, 2020, the Company granted a short-term loan in the amount of € 15,050,000.00 to Ketom AG, Switzerland (a company controlled by Norbert Ketterer). The loan bears interest at a rate of 4.25% p.a. The loan was repaid on April 21, 2020. This loan was collateralized by means of a waiver of the distribution of future dividends for the Company's shares held by SN Beteiligungen Holding AG.

GUARANTEE CREDIT INTERMEDIATION AGREEMENT WITH SN BETEILIGUNGEN HOLDING AG

By way of an agreement dated September 3, 2020, the Company undertakes in relation to SN Beteiligungen Holding AG to provide a guarantee by utilizing its guarantee credit facility concluded with credit insurer Euler Hermes. The guarantee amounts to € 3,500,000.00 and has to be returned not later than December 31, 2021. The Company charges guarantee fees of 4% p.a. due from SN Beteiligungen Holding AG for the provision of the guarantee.

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

Dealings with companies accounted for using the equity method and other related companies exist to a large degree within 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. As in the previous year, no collateral was provided for these loans.

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of 12/31/2019 in € thousand	Outstanding amount as of 12/31/2020 in € thousand	End of contract term
Helvetic Private Investments AG, Switzerland						
24/04/2015	Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH, Duesseldorf	2,500	4.00	2,181	0	12/31/2019
Hübner 1. VVG						
06/01/2010	Development Partner AG, Duesseldorf	5,000	2.00	468	0	12/31/2019
11/01/2014	Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH, Duesseldorf	100	2.00	17	0	12/31/2019
Ketom AG, Switzerland						
05/25/2016	MUC Airport Living GmbH, Munich	100	2.00			12/31/2019
06/02/2017, 09/22/2017, 10/24/2017	MUC Airport Living GmbH, Munich	600	2.00	5,200	0	12/31/2019
09/05/2018, 10/12/2018, 11/16/2018, 12/18/2018	MUC Airport Living GmbH, Munich	4,500	4.25			12/31/2020
01/15/2019	MUC Airport Living GmbH, Munich	1,500	4.25	1,500	0	12/31/2020
02/27/2019	MUC Airport Living GmbH, Munich	7,500	4.25	6,700	0	Unlimited
10/27/2016	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	650	2.00	650	0	12/31/2020
09/06/2016	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbühel, Austria	5,700	2.00	5,700	0	12/31/2020
10/31/2018	Beteiligungsgesellschaft Berlin Heinersdorf 18 GmbH, Berlin	914	4.25	80	0	01/31/2019
10/12/2018	Beteiligungsgesellschaft Berlin Heinersdorf 18 GmbH, Berlin	50	4.25	50	0	01/31/2019
01/15/2019	Beteiligungsgesellschaft Berlin Heinersdorf 18 GmbH, Berlin	100	4.25	100	0	12/31/2020
05/21/2019	Beteiligungsgesellschaft Berlin Heinersdorf 18 GmbH, Berlin	500	2.00	300	0	Unlimited
02/12/2018	S1 Rialto Quartier GmbH, Frankfurt am Main	7,000	10.00	8,315	0	Unlimited
MUC 14. Vermögensverwaltungs GmbH Co. KG						
09/26/2016	MUC Airport Living GmbH, München	1,450	2.00	1,450	0	12/31/2020
MUC Real Estate GmbH						
08/24/2018	Beteiligungsgesellschaft Berlin Heinersdorf 18 GmbH, Berlin	100	2.00	100	0	12/31/2020
05/24/2017	MUC Airport Living GmbH, Munich	50	2.00	50	0	12/31/2020
03/29/2018, 04/26/2018, 06/20/2018	MUC Airport Living GmbH, Munich	950	2.00	950	0	12/31/2020
08/02/2018	MUC Airport Living GmbH, Munich	600	2.00	600	0	12/31/2020
Objektgesellschaft Königin-Luise-Str. 5						
10/01/2001	Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH, Duesseldorf	500	2.00	293	0	12/31/2019
SN Beteiligungen Holding AG, Switzerland						
10/24/2017	Gewerbepark Neufahrn Projektentwicklungs GmbH, Kitzbühel, Austria	500	2.00	522	0	12/31/2020
12/20/2018	Gewerbepark Neufahrn Projektentwicklungs GmbH, Kitzbühel, Austria	650	4.25	678	0	12/31/2020
12/17/2019	Gewerbepark Neufahrn Projektentwicklungs GmbH, Kitzbühel, Austria	500	4.25	501	0	12/31/2020
10/23/2018	Development Partner AG, Duesseldorf	6,971	10.00	8,021	0	12/31/2020
11/28/2019	Gateway Real Estate AG, Frankfurt am Main	11,000	4.25	9,928	0	12/31/2020
08/13/2020	Gateway Real Estate AG, Frankfurt am Main	8,181	4.25	n/a	8,313	12/31/2021
09/23/2020	Gateway Real Estate AG, Frankfurt am Main	40,000	8.00	n/a	40,862	12/31/2021
Ketom AG, Switzerland – Loan to Gateway Real Estate AG						
06/29/2017	Gateway Real Estate AG, Frankfurt am Main	18,500	4.25	1,253	0	Property-related
07/28/2017	Gateway Real Estate AG, Frankfurt am Main	33,972	4.25	1,774	0	Property-related
10/26/2017	Gateway Real Estate AG, Frankfurt am Main	5,000	4.25	1,124	0	Property-related
12/04/2017	Gateway Real Estate AG, Frankfurt am Main	5,000	4.25	225	0	12/31/2018
12/20/2017	Gateway Real Estate AG, Frankfurt am Main	1,000	2.00	1,038	0	Property-related
04/24/2018	Gateway Real Estate AG, Frankfurt am Main	5,000	2.00	5,168	0	Property-related
08/23/2018	Gateway Real Estate AG, Frankfurt am Main	18,000	2.00	18,456	0	12/31/2019
Total				**83,392***	**49,175**	

* Unlike in the previous year, the loans of Projektentwicklung Taunusstraße 52–60 in Frankfurt am Main GmbH are not disclosed since the company was held merely as an equity investment in the reporting period.

There are also the following loan receivables due from companies accounted for using the equity method. As in the previous year, no collateral was provided for these loans.

Investments accounted for using the equity method	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of 12/31/2019 in € thousand	Outstanding amount as of 12/31/2020 in € thousand	End of contract term
Development Partner AG, Düsseldorf						
05/19/2016	Projektentwicklung Weender Straße in Göttingen GmbH & Co. KG, Düsseldorf	600	8.00	243	188	Property-related
02/18/2019	Projektentwicklung Weender Straße in Göttingen GmbH & Co. KG, Düsseldorf	400	12.00	442	400	Upon fulfillment of all claims of the financing bank
07/14/2019	Immobiliengesellschaft Hutfiltern in Braunschweig GmbH	4,500	10.00	5,753	7,773	Property-related
Gateway Real Estate AG, Frankfurt am Main						
01/30/2018	Duisburg EKZ 20 Objekt GmbH, Berlin	1,000	10.00	1,192	1,292	12/31/2022

The Group has the following receivable due from other related companies: As in the previous year, no collateral was provided for this loan.

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of 12/31/2019 in € thousand	Outstanding amount as of 12/31/2020 in € thousand	End of contract term
Projektentwicklung Michaelkirchstraße in Berlin Beteiligungsgesellschaft mbH, Düsseldorf						
02/27/2018	SKE Immobilien Holding AG, Switzerland	1,455	20.00	2,034	2,440	12/31/2023

Other relationships with companies accounted for using the equity method and other related companies exist only to a minor extent. Therefore, a detailed overview is not provided.

F. DISCLOSURES ON RELATED PERSONS

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

In the reporting period 2020, the following transactions and legal matters involving this group of persons had to be reported.

Natalie von Rom – wife of the Supervisory Board member Ferdinand von Rom – was active as a notary public for companies of the Group both in the fiscal year 2020 and in the previous year and invoiced a total amount of €10 thousand (previous year: €114 thousand) for her services. There are no balances outstanding as of the reporting date (previous year: €1 thousand).

In relation to the compensation of key management personnel required to be reported in accordance with IAS 24, we refer to Subsection B of this Note; this comprises the compensation of the active members of the Management Board and the Supervisory Board.

7.4 GOVERNING BODIES

A. SUPERVISORY BOARD

In accordance with the articles of association, the Supervisory Board of GATEWAY consists of five members who are elected by the Annual General Meeting. The members of the Group's Supervisory Board during the reporting year 2020 are presented below:

— Norbert Ketterer, businessman, Rüschlikon/Switzerland (Chairman)
— Thomas Kunze, business management graduate, Leipzig/Germany (Deputy Chairman)
— Ferdinand von Rom, attorney (Rechtsanwalt), Frankfurt am Main/Germany
— Jan Hendrik Hedding, businessman, Zurich/Switzerland
— Marcellino Graf von und zu Hoensbroech, businessman, Horgen/Switzerland, until April 30, 2020
— Leonhard Fischer, businessman, Zurich/Switzerland, since December 21, 2020

B. MANAGEMENT BOARD

The members of the Group's Management Board during the reporting year 2020 are presented below:

— Manfred Hillenbrand, Dreieich/Germany, CEO
— Tobias Meibom, Hamburg/Germany, CFO

7.5 AUDITOR'S FEES

The total fee charged by the independent auditor for its activity throughout the Group in the past fiscal year in the amount of € 481 thousand (previous year: € 476 thousand) includes fees for auditing services and other certification services, plus the statutory sales tax. The total fee can be broken down as follows:

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in € thousand	2020	2019
Auditing services	375	343
Other certification services	0	0
Tax advisory services	0	0
Other services*	106	133
Total	**481**	**476**

* includes to affiliated companies of the auditor in the amount of €4 thousand.

7.6 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

GATEWAY's Management Board and Supervisory Board have issued the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz; AktG). The declaration is included in the 2020 Annual Report and will also be permanently accessible to the shareholders on the website under https://www.gateway-re.de/en/investor-relations/corporate-governance/declarations-of-compliance/ (German only).

7.7 LIST OF SHAREHOLDINGS PURSUANT TO SECTION 313 (2) HGB

The parent company is Gateway Real Estate AG, Frankfurt. The following table presents the shareholdings of GATEWAY pursuant to Section 313 (2) HGB: The disclosures for equity and earnings as well as the disclosure of equity investments within the meaning of Section 313 (2) No. 4 HGB are not made to the extent that they are of minor significance for the presentation of the Group's financial performance, cash flows and financial position pursuant to Section 313 (3) sentence 4 HGB.

Name of the company	Registered office, country	Ownership interest in %	Foot-note
Fully-consolidated subsidiaries (standing assets)			
Gateway Asset Management GmbH	Eschborn, Germany	100.00	
Gateway Zweite GmbH & Co. KG	Frankfurt am Main, Germany	100.00	9
Gateway Vierte GmbH	Frankfurt am Main, Germany	94.90	
Gateway Fünfte GmbH	Frankfurt am Main, Germany	94.90	
Gateway Siebte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Achte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Neunte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Elfte GmbH	Frankfurt am Main, Germany	94.00	
Gateway Betriebsvorrichtungen – Dienstleistungen – Marketing GmbH	Frankfurt am Main, Germany	100.00	
GTY 1te Bochum GmbH & Co. KG	Eschborn, Germany	100.00	1, 9
GTY 1te Siegen GmbH & Co. KG	Eschborn, Germany	100.00	1, 9
GTY 1te Düsseldorf GmbH & Co. KG	Eschborn, Germany	100.00	1, 9
Augskor 1 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Augskor 2 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Augskor 3 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
MUC Airport Living GmbH	Munich, Germany	90.00	
Fully-consolidated subsidiaries (property development)			
Development Partner AG	Duesseldorf, Germany	100.00	
Projektentwicklung Kranhaus im Rheinauhafen Köln GmbH	Duesseldorf, Germany	100.00	
Projektentwicklung Kassel GmbH	Duesseldorf, Germany	100.00	
Projektentwicklung Große Bockenheimer Straße in Frankfurt am Main GmbH	Duesseldorf, Germany	100.00	
Projektentwicklung Brotstraße in Trier GmbH	Duesseldorf, Germany	94.00	
Projektgesellschaft Wohnen an der Neuenhöfer Allee in Köln GmbH & Co. KG	Duesseldorf, Germany	90.00	9
Projektentwicklung in Düsseldorf Beteiligungsgesellschaft mbH & Co. KG	Duesseldorf, Germany	80.00	9
Projektentwicklung Schloßstraße in Berlin GmbH	Duesseldorf, Germany	100.00	
Projektentwicklung Venloer Straße in Köln Beteiligungsgesellschaft mbH	Duesseldorf, Germany	100.00	
Projektentwicklung Am Barmbeker Bahnhof in Hamburg Beteiligungs-Verwaltungsgesellschaft mbH	Duesseldorf, Germany	100.00	
Projektentwicklung Rudolfplatz in Köln GmbH	Duesseldorf, Germany	94.00	
Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden Beteiligungs-Verwaltungsgesellschaft mbH	Duesseldorf, Germany	100.00	
Projektentwicklung Uerdinger Straße in Düsseldorf Residential GmbH	Duesseldorf, Germany	94.00	
Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH	Duesseldorf, Germany	94.00	
Projektentwicklung Breite Gasse in Nürnberg GmbH	Duesseldorf, Germany	94.00	
Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH	Duesseldorf, Germany	94.00	
Projektentwicklung Mediaspree in Berlin GmbH	Duesseldorf, Germany	94.90	
Projektentwicklung Campus Park München GmbH	Duesseldorf, Germany	94.90	
Projektentwicklung Michaelkirchstraße in Berlin GmbH	Duesseldorf, Germany	94.90	5
Projektentwicklung Michaelkirchstraße in Berlin Beteiligungsgesellschaft mbH	Duesseldorf, Germany	100.00	
Projektentwicklung Technologiecampus Großraum Stuttgart GmbH	Duesseldorf, Germany	94.90	
Movingstairs GmbH	Kitzbühel, Austria	90.00	
Gewerbepark Neufahrn Projektentwicklungs-GmbH	Kitzbühel, Austria	100.00	3
Immobiliengesellschaft Am Kennedydamm in Düsseldorf mbH	Duesseldorf, Germany	94.00	
Immobilienbeteiligungs-Verwaltungsgesellschaft am Kennedydamm in Düsseldorf mbH i.L.	Duesseldorf, Germany	100.00	8
Gateway Residential GmbH	Frankfurt am Main, Germany	100.00	
Beteiligungsgesellschaft Berlin-Heinersdorf 18 GmbH	Berlin, Germany	90.00	
Objekt Heinersdorf in Berlin GmbH i.L.	Berlin, Germany	100.00	8
Gateway SoHo Sullivan GmbH & Co. KG	Frankfurt am Main, Germany	90.00	9
S1 Rialto Quartier GmbH	Frankfurt am Main, Germany	100.00	4
S2 Cliffhanger GmbH	Frankfurt am Main, Germany	100.00	4
S3 Forum Sullivan GmbH	Frankfurt am Main, Germany	100.00	4
S4 De Gregori Quartier GmbH	Frankfurt am Main, Germany	100.00	4
S5 Dalla Quartier GmbH	Frankfurt am Main, Germany	100.00	4
S7 Curve Quartier GmbH	Frankfurt am Main, Germany	100.00	4
S9 Casino Quartier GmbH & Co. KG	Frankfurt am Main, Germany	100.00	4, 9
S6 Park Lane GmbH & Co. KG	Frankfurt am Main, Germany	100.00	4
S8 Chelsea Quartier GmbH & Co. KG	Frankfurt am Main, Germany	100.00	4, 9
S11 Piazza GmbH & Co. KG	Frankfurt am Main, Germany	100.00	4, 9
S12 Sound & Vision GmbH & Co. KG	Frankfurt am Main, Germany	100.00	4, 9
Revaler Straße 32 PE GmbH	Berlin, Germany	51.00	2
Storkower Straße 140 PE GmbH	Berlin, Germany	51.00	2
Storkower Straße 142–146 PE GmbH (previously: Storkower Straße 142–146 PE GmbH & Co. KG)	Berlin, Germany	51.00	2, 9
SKE Immo Sulzbach GmbH (S.à r.l.)	Bereldange, Luxembourg	100.00	2

Subsidiaries not included in the consolidated financial statements	Registered office, country	Ownership interest in %	Foot-note
Gateway Siebzehnte GmbH (formerly: Gateway Erste Verwaltungsgesellschaft mbH)	Eschborn, Germany	100.00	
Gateway Achtzehnte GmbH (formerly: Gateway Fünfzehnte Verwaltungsgesellschaft mbH)	Eschborn, Germany	100.00	
Projektentwicklung Europaallee in Frankfurt GmbH	Duesseldorf, Germany	100.00	
Projektentwicklung Große Packhofstraße in Hannover GmbH	Duesseldorf, Germany	40.00	
Projektentwicklung Airgate in Düsseldorf Verwaltungsgesellschaft mbH	Duesseldorf, Germany	100.00	
Projektentwicklung Airgate in Düsseldorf GmbH & Co. KG	Duesseldorf, Germany	50.00	
Projektentwicklung Schadowstraße in Düsseldorf Verwaltungsge-sellschaft mbH	Duesseldorf, Germany	100.00	
Projektentwicklung Schadowstraße in Düsseldorf GmbH & Co. KG	Duesseldorf, Germany	30.00	
Projektentwicklung Fürstenrieder Straße in München GmbH	Duesseldorf, Germany	22.50	
Projektentwicklung Tegernseer Landstraße in München GmbH	Duesseldorf, Germany	22.50	
Projektentwicklung Am Schauspielhaus in Düsseldorf Verwaltungsgesellschaft mbH	Duesseldorf, Germany	50.00	
Projektentwicklung Am Schauspielhaus in Düsseldorf GmbH & Co. KG	Duesseldorf, Germany	6.00	
Projektentwicklung Schirmständerhaus in Berlin GmbH	Duesseldorf, Germany	50.00	
Verwaltungsgesellschaft Wohnen an der Neuenhöfer Allee in Köln mbH	Duesseldorf, Germany	100.00	
Projektentwicklung in Düsseldorf Beteiligungs-Verwaltungsgesellschaft mbH	Duesseldorf, Germany	100.00	
Projektentwicklung KÖLNCUBUS Beteiligungsgesellschaft mbH & Co. KG	Duesseldorf, Germany	50.00	
Projektentwicklung KÖLNCUBUS Beteiligungs-Verwaltungsgesellschaft mbH	Duesseldorf, Germany	100.00	
Projektentwicklung KÖLNCUBUS Verwaltungsgesellschaft mbH	Duesseldorf, Germany	100.00	
Projektentwicklung KÖLNCUBUS GmbH & Co. KG	Duesseldorf, Germany	100.00	
Objekt Bonn 1101 Verwaltungsgesellschaft mbH	Duesseldorf, Germany	25.00	
Objektgesellschaft Bonn 1101 mbH & Co. KG	Duesseldorf, Germany	10.00	
Projektentwicklung Friedrichstraße in Düsseldorf GmbH	Duesseldorf, Germany	100.00	
Projektentwicklung Speditionstraße in Düsseldorf GmbH	Duesseldorf, Germany	100.00	
Projektentwicklung Kaistraße in Düsseldorf GmbH	Duesseldorf, Germany	100.00	
Projektentwicklung Marktplatz in Düsseldorf GmbH	Duesseldorf, Germany	100.00	
Projektentwicklung Baierbrunner Straße in München GmbH	Duesseldorf, Germany	100.00	
Projektentwicklung Damm GmbH (i.L.)	Duesseldorf, Germany	30.00	8
Projektentwicklung Rotkreuzplatz in München GmbH (i.L.)	Duesseldorf, Germany	25.00	8
Projektentwicklung Wilmersdorfer Straße in Berlin GmbH & Co. KG	Duesseldorf, Germany	100.00	
Projektentwicklung Wilmersdorfer Straße in Berlin Verwaltungsgesellschaft i.L.	Duesseldorf, Germany	75.00	8
Projektentwicklung Hofgartengarage in Düsseldorf Verwaltungsgesellschaft mbH (i.L.)	Duesseldorf, Germany	50.00	8
Projektentwicklung Joachimstaler Straße in Berlin GmbH (i.L.)	Duesseldorf, Germany	100.00	8
Gateway SoHo Sullivan Verwaltungs GmbH	Frankfurt am Main, Germany	100.00	
S0 SoHo Sullivan GmbH & Co. KG	Frankfurt am Main, Germany	50.00	4
GTY Betriebsvorrichtung GmbH	Eschborn, Germany	100.00	1
Associates accounted for using the equity method			
GAM Retail Portfolio Holding GmbH	Berlin, Germany	42.15	
Projektentwicklung Venloer Straße in Köln S.à r.l.	Luxembourg, Luxemburg	20.00	6
Joint ventures accounted for using the equity method			
Duisburg EKZ 20 Objekt GmbH	Berlin, Germany	50.00	
GAMWAY Holding GmbH (i.L.)	Berlin, Germany	50.00	8
Projektentwicklung Am Barmbeker Bahnhof in Hamburg Beteiligungsgesellschaft mbH & Co. KG	Duesseldorf, Germany	75.00	7
Projektentwicklung Am Barmbeker Bahnhof in Hamburg GmbH	Duesseldorf, Germany	40.00	
Projektentwicklung Weender Straße in Göttingen Verwaltungsgesellschaft mbH	Duesseldorf, Germany	50.00	
Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden Beteiligungsgesellschaft mbH & Co. KG	Duesseldorf, Germany	60.00	
Immobiliengesellschaft Hutfiltern in Braunschweig GmbH	Duesseldorf, Germany	60.00	
Other investments			
Projektentwicklung Taunusstr. 52–60 in Frankfurt GmbH	Duesseldorf, Germany	11.00	
Projektentwicklung Weender Straße in Göttingen GmbH & Co. KG	Düsseldorf, Germany	1.00	

1 Investment held via Gateway Achte GmbH, Frankfurt am Main
2 Investment held via Gateway Neunte GmbH, Frankfurt am Main
3 Investment held via Movingstairs GmbH, Kitzbühel, Austria
4 Investment held via Gateway SoHo Sullivan GmbH, Frankfurt am Main
5 Investment held via Projektentwicklung Michaelkirchstraße in Berlin Beteiligungsgesellschaft mbH, Duesseldorf
6 Investment held via Projektentwicklung Venloer Straße in Köln Beteiligungsgesellschaft mbH, Duesseldorf
7 Investment held via Projektentwicklung Am Barmbeker Bahnhof in Hamburg Beteiligungs-Verwaltungsgesellschaft mbH, Duesseldorf
8 Company in liquidation
9 Exemption utilized pursuant to Section 264b HGB

7.8 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

A. DISPOSAL OF THE COMMERCIAL PROPERTIES DEVELOPMENT SEGMENT

Following the decision made by the Management Board and the Supervisory Board in the fiscal year 2020 to construct residential properties in future also for the Company's own portfolio (build-to-hold), all of the shares held in Development Partner AG, Duesseldorf, as well as 51% of the shares in each of the project companies Revaler Straße 32 PE GmbH, Berlin, Storkower Straße 140 PE GmbH, Berlin and Storkower Straße 142–146 PE GmbH, Berlin were disposed of as part of this expanded company strategy, based on an agreement on the purchase and transfer of shares dated February 3, 2021. The acquirers are, at equal shares, IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG, which is a company controlled by Yannick Patrick Heller. In accordance with IAS 24, Mr. Keller can be considered a related party of a Supervisory Board member. The Commercial Properties Development segment is combined in these sold companies and is discontinued in the process in order to focus on the Residential Properties Development business. The share purchase agreement was effected on March 16, 2021, and led to a deconsolidation of the entire segment. The proceeds from the sale of the shares total €103.7 million.

The claims from shareholder loans with a carrying amount of €184.3 million as of December 31, 2020, are not part of the sale of the shares and remain with the GATEWAY Group.

The following projects are primarily affected by the desinvestment:

—

Immobiliengesellschaft am Kennedydamm in Düsseldorf mbH
Projektentwicklung Breite Gasse in Nürnberg GmbH
Projektentwicklung Rudolfplatz in Köln GmbH
Projektentwicklung Brotstraße in Trier GmbH
Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH
Projektentwicklung Uerdinger Straße in Düsseldorf Residential GmbH
PE Michaelkirchstraße
Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH
Projektentwicklung Technologiecampus Großraum Stuttgart GmbH
Projektentwicklung Mediaspree in Berlin GmbH
Projektentwicklung Campus Park München
PE Neufahrn
Revaler Straße 32 PE GmbH
Storkower Straße 140 PE GmbH
Storkower Straße 142–146 PE GmbH

The following table shows the assets and liabilities of the sold companies as of December 31, 2020:

—

in € million	
Intangible assets	24.2
Property, plant and equipment	2.0
Investments accounted for using the equity method	7.1
Deferred tax assets	3.4
Inventories	577.4
Trade receivables	0.7
Income tax receivables	0.1
Other financial and non-financial assets	20.0
Cash and cash equivalents	27.4
Assets of the disposal group	**662.3**
Other provisions	0.5
Financial liabilities	364.5
Deferred tax liabilities	10.8
Other financial and non-financial liabilities	11.4
Income tax liabilities	5.4
Trade payables	15.2
Liabilities of the disposal group	**407.8**
Net assets	**254.5**

The effects on the statement of financial position mainly refer to the disposal of inventories in the amount of €577.4 million, which primarily result from Projektentwicklung Breite Gasse in Nürnberg GmbH (€93,680 thousand), Immobiliengesellschaft am Kennedydamm in Düsseldorf mbH (€82,045 thousand), Projektentwicklung Mediaspree in Berlin GmbH (€74,687 thousand) and Revaler Straße 32 PE GmbH (€73,694 thousand).

B. ACQUISITION OF RESIDENTIAL DEVELOPMENT PROJECTS IN COLOGNE AND DRESDEN

Based on a share purchase agreement dated February 17, 2021, all of the shares in Borussia Development GmbH (previously Gerch Invest GmbH) were acquired from the related company SN Beteiligungen Holding AG. With an equity interest of 89.9%, Gateway Real Estate AG has been the direct controlling shareholder of Borussia Dresden Quartiere am Blüherpark (previously Gerchgroup Dresden Quartiere am Blüherpark) 1–12 UGs as well as of Borussia Köln Deutz Quartiere (previously Gerchgroup Köln Deutz Quartiere) 1–21 since that date and consolidated these companies for the first time as of February 18, 2021.

A purchase price of €70 million was agreed for the acquisition of the residential development projects; the purchase price is deferred until December 30, 2021 (interest: 4.25%). Furthermore, additional purchase prices were agreed which will be charged if certain construction stages of the acquired projects are resold with a profit margin defined in the contract. The additional purchase prices amount to a maximum total of €50 million, plus accrued interest, if applicable.

The acquired companies are two residential property development sites in Cologne and Dresden with an overall development potential of around 540,000 sqm of floor space. Both projects are presented as inventories in line with their intended use.

As of the date of the preparation of the consolidated financial statements, the initial consolidation measures as regards the acquired companies had not been fully completed. However, the major effects arising from the fully consolidated companies are an expected increase of inventories by €353.2 million and of financial liabilities by €266.4 million, before purchase price allocation.

C. PURCHASE OF LAND IN CHEMNITZ

By way of a land purchase agreement dated March 9, 2021, the subsidiary Gateway Achtzehnte GmbH, which previously had not been consolidated for reasons of immateriality, acquired several plots of land in Chemnitz for a total amount of €4.4 million. Apartments are planned to be constructed on these sites and resold subsequently. The land purchase agreement has not been executed as of the date of the preparation of the consolidated financial statements.

D. PURCHASE OF ADDITIONAL SHARES IN DUISBURG SHOPPING CENTER

Based on a share purchase agreement effective January 1, 2021, the Company acquired another 39.9% of the shares in Duisburg EKZ 20 Objekt GmbH, and a loan receivable. As a result of the respective controlling influence of Gateway Real Estate AG, Duisburg EKZ 20 Objekt GmbH has been fully consolidated since January 1, 2021. Previously, the 50% stake was accounted for as an investment accounted for using the equity method. The purchase price and the loan receivable amount to a total of approximately €12.5 million and was paid by offsetting loan receivables.

Berlin, April 27, 2021

Gateway Real Estate AG
The Management Board

Tobias Meibom Stefan Witjes

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the management report of the Group includes a fair view of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Berlin, April 27, 2021

Gateway Real Estate AG
The Management Board

Tobias Meibom

Stefan Witjes

Note: This is a convenience translation of the German original. Solely the original text in the German language is authoritative.

The auditor's report reproduced below also includes a "Report on the audit of the electronic reproductions of the financial statements and management report prepared for disclosure purpos-es in accordance with Section 317 (3b) HGB" ("ESEF report"). The subject matter underlying the ESEF Note (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed or downloaded from the Federal Gazette following publication.

INDEPENDENT AUDITOR'S REPORT

To Gateway Real Estate AG, Frankfurt am Main:

Report on the audit of the consolidated financial statements and of the Group management report

AUDIT OPINIONS

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 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 01 January 2020 to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Gateway Real Estate AG, Frankfurt am Main for the financial year from 01 January 2020 to 31 December 2020. In accordance with German legal requirements, we have not audited the contents of the Group management report, listed in section "Other information" of our independent auditor's report.

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 the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 01 January 2020 January to 31 December 2020, and

— the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the contents of the aforementioned parts of the Group management report not included within the scope of our audit.

Pursuant to Section 322 (3) Sentence 1 of the German Commercial Code HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the Group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits as 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 and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 01 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon we do not provide a separate audit opinion on these matters.

In our view, the matters presented below were the most significant as part of our audit:

Recognition and measurement of investment property and non-current assets held for sale

— Reasons for designation as Key Audit Matter

The consolidated financial statements of Gateway Real Estate AG as of December 31, 2020, show investment properties of €184.9 million (previous year: €8.3 million) and non-current assets held for sale (properties previously recognized as investment properties) of €54.2 million (previous year: €38.8 million). In preparing the consolidated financial statements, the Management has to decide for each property whether it is to be reported as investment property, as a non-current asset held for sale or as inventories. Gateway Real Estate AG accounts for investment properties and non-current assets held for sale using the fair value model in accordance with IFRS 13. Accordingly, unrealized changes in fair value due to changes in market values are generally recognized in profit or loss as part of the fair value measurement. In the past financial year, €129.1 million (previous year: €20.5 million) has been recognized in profit or loss as unrealized changes in fair value due to changes in market values in the consolidated statement of comprehensive income.

The fair value of investment properties and non-current assets held for sale is determined on the basis of appraisals by external experts using current market data and internationally recognized valuation methods. For completed properties and projects nearing completion, discounted cash flow methods are used to discount the expected future cash flows of a property to the balance sheet date of December 31, 2020, applying a market-based, property-specific discount and capitalization rate. In the case of undeveloped land, the residual value method is used to determine a realistic land value. The fair value is generally determined on the basis of the highest and best use of the property (concept of "Highest and Best use").

The valuation of investment properties and non-current assets held for sale is based on a large number of parameters that are fundamentally subject to estimation uncertainty and judgment. Significant valuation parameters include in particular the expected cash flows, the assumed vacancy rate and the discount and capitalization rates. Even minor changes in valuation-relevant parameters can lead to significant changes in fair values. Due to the significance of the items "Investment properties" and "Non-current assets held for sale" for the financial statements, as well as the estimation uncertainties and the exercise of discretion by the Executive Board, we determined this matter to be a particularly important audit matter.

— Our audit approach

We have assessed the recognition of the investment properties and the non-current assets held for sale on the basis of the contractual documents, the corporate planning and the information provided by the legal representatives and other documents submitted. In order to examine the valuation, we assessed the competence, ability and objectivity of the external appraiser engaged by Gateway Real Estate AG to determine the fair value, assessed the valuation methods applied in the appraisals with regard to conformity with IAS 40 in conjunction with IFRS 13, assessed the significant valuation assumptions and parameters, and examined the arithmetical accuracy of the calculations. With the involvement of our own valuation specialists, we have assessed the accuracy and completeness of the data on the real estate portfolios used in the valuation models by means of substantive audit procedures.

In addition, we performed analytical audit procedures on the change in market values per property. To this end, we analyzed whether the development of the value drivers (e.g. annual net rent, lettable area, vacancy rate, discount and capitalization rate, gross multiplier) is in line with the development of the market value of the respective property.

We also assessed the completeness and adequacy of the disclosures in the notes to the consolidated financial statements required by IAS 40, IFRS 13 and IFRS 5.

— Reference to related disclosures in the notes

For information on investment property, please refer to Note 2.8 in "2. Significant accounting policies" and Note 6.3 in "6. Additional notes to the financial statements" in the notes to the consolidated financial statements, and for information on non-current assets held for sale, please refer to Note 2.21 in "2. Significant accounting policies" and Note 6.8 in "6. Additional notes to the financial statements.

Recognition and measurement of inventories

— Reasons for designation as Key Audit Matter

The consolidated financial statements of Gateway Real Estate AG for the year ending 31 December 2020, show inventories in the amount of €667.0 million. This corresponds to 60% of total assets. The accounting for real estate in inventories is associated with uncertainties caused by estimates and the exercise of discretion due to the following circumstances. First, Management must decide for each property whether it is to be held for long-term rental or for capital appreciation or whether it is to be sold and accordingly reported as investment property or in inventories.

As part of the measurement of inventories, Management must ensure that the acquisition or production costs are determined correctly and examine whether an impairment to a net realizable value lower than (amortized) cost is necessary. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses still to be incurred. Due to the significance of inventories for the financial statements and the uncertainties caused by estimation and the exercise of discretion by Management, we have determined that this is a key audit matter.

— Our audit approach

We have assessed the correct presentation of the properties in inventories on the basis of the contractual documents, the corporate planning, information provided by the legal representatives and other documents submitted. In order to review the valuation, we assessed the implementation, design and functionality of the relevant internal controls. With regard to the acquisition or production costs, we carried out a document review based on a deliberate risk-oriented selection. With regard to the determination of the net realizable value, the appropriateness of the estimate of future or expected market prices on the real estate market was assessed on the basis of comparable transactions, expert opinions by experts of the legal representatives or existing business plans. We assessed the competence, ability and objectivity of the aforementioned experts and checked the calculation of the values of the properties in these expert's reports.

We have also assessed the completeness and accuracy of the disclosures required by IAS 2 in the notes to the consolidated financial statements.

— Reference to related disclosures in the notes

With regard to the accounting policies applied regarding real estate in inventories and the related disclosures on accounting estimates and assumptions, we refer to the disclosures in the notes to the consolidated financial statements in the sections 2.11under "2. Significant accounting policies" and 6.5 under "6. Additional notes to the items of the consolidated financial statements".

OTHER INFORMATION

The Management and the Supervisory Board are responsible for the other information. The other information comprises :

- the statement on corporate governance in accordance with Section 289f HGB in conjunction with Section 315d HGB, to which reference is made in section 1.3 "Corporate Governance Statement" in the Group management report,
- the Supervisory Board's report,
- the confirmation pursuant to Section 297 (2) sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to Section 315 (1) sentence 5 HGB regarding the Group management report,
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and Group management report, which has been audited in relation to its contents, and our auditor's report.

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the statement pursuant to Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code (DCGK), to which reference is made in the Group management report as part of the corporate governance statement. In all other respects, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the Group management report do 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 aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or

— otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that a material misstatement of this other information exists, we are required to report such a fact. We have nothing to report in this context.

RESPONSIBILITIES OF THE MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

The Management Board members are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with such requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board members are responsible for such internal controls 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 Management Board members 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 preparing the accounts on a going concern basis of accounting unless an intention exists to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board members are responsible for the preparation of the Group management report which, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board members are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

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, and whether the Group management report as a whole provides an appropriate view of the Group's position and in all material respects is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with German legal requirements, and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation 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 and this Group management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also

— identify and assess the risks of material misstatement in the consolidated financial statements and the Group management report, whether due to fraud or error, we design and perform audit procedures responsive to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. 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 controls.

— obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements, and of arrangements and measures (systems) relevant to the audit of the Group management report, 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 these systems.

— evaluate the appropriateness of accounting policies applied by the Management Board members and the reasonableness of estimates made by the Management Board members as well as 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 relating 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 and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 such 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 and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to be able to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the Management Board members in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions applied by the Management Board members as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. A substantial unavoidable risk exists that future events will differ materially from the prospective information.

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.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and therefore are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the electronic reproductions of the consolidated financial statements and the Group management report prepared for the purpose of disclosure in accordance with Section 317 (3b) HGB

AUDIT OPINION

We have performed an audit in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the Group management report (hereinafter also referred to as "ESEF documents") contained in the attached file „Gateway_Real_Estate_AG_KA_KLB_ESEF-2020-12-31.zip (SHA256-Hashwert: f64c90ff65ca02af828f0ac9f9e766bf41454bc314fc98d1e78748741fc8ed30) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format, and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this audit opinion and our audit opinion on the accompanying consolidated financial statements and on the accompanying Group management report for the financial year from 1 January to 31 December 2020, included in the "Report on the audit of the consolidated financial statements and Group management report" above.

Basis for the audit opinion
We conducted our audit of the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Audit on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Management and the Supervisory Board for the ESEF Documents
The legal representatives of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No 2 HGB.

In addition, the legal representatives of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The legal representatives of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited group financial statements and audited Group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF-documents as part of the financial reporting process.

Auditor's Responsibilities for the audit of the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, 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.

— Obtain an understanding of internal control relevant to the audit of the ESEF documents 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 these controls.

— Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

— Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited group financial statements and to the audited management report.

— Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the annual general Meeting on 12 May 2020. We were engaged by the Supervisory Board on 16 December 2020. We have been the auditor of the group financial statements of Gateway Real Estate AG, Frankfurt am Main without interruption since the financial year 2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Frank Wellhöfer.

Nuremberg, 27 April 2021

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Landgraf	Wellhöfer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR

May 31, 2021	Publication of quarterly statement (publication date Q1)
June 2021	Annual General Meeting
September 30, 2021	Publication of half-yearly financial report
November 22–24, 2021	Deutsches Eigenkapitalforum
November 30, 2021	Publication of quarterly statement (publication date Q3)

IMPRINT

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