CONSOLIDATED FINANCIAL STATEMENTS

GATEWAY REAL ESTATE AG

2019

GATEWAY
REAL ESTATE

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR 2019

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MANAGEMENT REPORT

1. FUNDAMENTAL INFORMATION ON THE COMPANY

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 commercial and residential real estate in Germany with a market capitalization of more than €814 million (as of December 31, 2019). 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, 2019) developing real estate with a gross development volume (GDV) of approximately €4.2 billion. The subsidiary Development Partner AG has been developing inner-city commercial properties in so-called prime locations in sought-after German shopping cities since 2001 and is now one of the leading developers in this segment.

Upon the acquisition of the Development Partner companies in the fiscal year 2018, GATEWAY started to conduct its operating activities to a significant extent via its subsidiaries. Accordingly, the following statements included in the management report have a very strong Group perspective.

In the context of its business activities, Gateway AG 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, together with its subsidiaries, 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 to generate attractive margins and, at the same time, to minimize the project development risk by means of a detailed process management.

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. 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 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.

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 the 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 office and residential space in Germany's metropolitan growth regions.

In connection with the sale of our 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 when 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 our development projects.

Alternatively, in the case of selected commercial property development projects, GATEWAY seeks to integrate such projects into the successful standing asset business and develops properties with pre-let rates of 50 to 60 per cent. GATEWAY continues the previous standing asset business of commercial real estate in order to diversify risks.

EMPLOYEES

In the past fiscal year, the Company employed five salaried employees (previous year: six) on average 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 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 promote a reasonable work-life balance. At the same time, GATEWAY offers its employees at its modern office premises in THE SQUAIRE in Frankfurt 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 company that has only been publicly traded since April 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 acquired by Development Partner AG prior to the latter's acquisition in October 2018. The segment revenues consist primarily 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 selected metropolitan areas such as Nuremberg.

— **Residential Properties Development:** In the Residential Development segment, the Group concentrates on development activities in selected metropolitan regions in Germany, normally cities with a population of at least 100,000, such as Dresden, Berlin, Erfurt, Frankfurt am Main, Leipzig and Munich. The focus here is on the new construction of medium-sized apartment buildings for modern living and mixed-use properties and real estate. So far, joint ventures with local project developers and general contractors were regularly established in this segment. In future, however, the Group intends to develop the majority of its assets on its own.

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

In the fiscal year 2018, GATEWAY started to conduct its operating activities largely via its subsidiaries. Accordingly, the financial performance indicators refer to the performance indicators of the Group.

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

In the Commercial Properties Development and Residential Properties Development segments, the real estate performance indicator GDV (Gross Development Volume) is an additional performance indicator for GATEWAY. 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 Section 289 f and § 315 d HGB comprises, among other things, the declaration of compliance pursuant to Section 161 AktG ("declaration of compliance"), relevant disclosures regarding corporate governance practices as well as a description of Management Board and Supervisory Board work processes. The corporate governance report, as part of the annual report, includes the corporate governance statement.

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

https://gateway-re.de/en/investor-relations/corporate-governance/corporate-governance-report/ (German only)

2. REPORT ON ECONOMIC POSITION

2.1 GENERAL STATEMENT ON THE REPORT ON ECONOMIC POSITION

GATEWAY Group's operating business developed very positively in the past 2019 reporting year due to scheduled sales from the portfolio, forward sales from development with simultaneous expansion of the platform as well as a significant increase in cash and cash equivalents and a strengthening of the equity base by means of a capital increase.

GATEWAY assesses the economic, sociodemographic and industry-specific development in 2019 in Germany, and especially in the cities in which GATEWAY operates, as positive for the Group's future business activities. Nevertheless, GATEWAY believes that the German real estate industry will not be able to uncouple itself from negative developments caused by the coronavirus 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 to ease the financial burden on companies, considerable negative effects on the global and German economy are to be expected. Reliable forecasts of how significant the effect on economic growth will be cannot be made at present due to the uncertain time frame of the pandemic.

2.2 ECONOMIC FRAMEWORK

2.2.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

In 2019, a combination of several factors triggered a merely subdued economic growth in Germany: the continuing trade dispute between the USA and China, the imminent Brexit (which finally was implemented on January 31, 2020) and the globally declining demand for goods from Germany. According to the German Federal Statistical Office, the German economy grew only by 0.6 per cent in 2019, which is the weakest growth in six years and significantly below the growth rate of 1.5 per cent in 2018. Nevertheless, the economic output increased for the tenth consecutive year.

The German economic growth was below the EU average of 1.5 per cent, also representing the weakest economic growth for the EU in five years.

According to the Federal Statistical Office, Germany's inflation rate at year-end 2019 was 1.5 per cent, thus below the European Central Bank's (ECB) 2.0 per cent target that is deemed appropriate for a sound economic development. In the eurozone, the annual inflation rate rose from 0.7 per cent in October 2019 to 1.3 per cent in December 2019, after 1.5 per cent a year earlier.

In view of growing economic risks and low inflation rates, the ECB gradually postponed the date of a possible departure from its zero-interest policy further into the future in the course of the year. The negative interest rate on deposits from commercial banks was reduced even further to –0.50 per cent in September 2019. At the end of 2019, bond purchases were resumed that had only been terminated at the beginning of the year. The uncertainty caused by the trade dispute and the associated fears of recession drove investors into federal government bonds, which were considered safe. The yield on ten-year government bonds fell to a historic low of –0.63 per cent on average in August 2019. It increased slightly at the end of the year, but remained negative. According to the ECB (as of March 12, 2020), 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 per cent, 0.25 per cent and -0.50 per cent, respectively.

2.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

According to the German Federal Statistical Office, Germany's population has reached a new peak of 83.2 million people at the end of 2019. This is an increase by around 200,000 people compared to 2018. Against the backdrop of a growth rate of 0.2 per cent, the growth of the population was considerably weaker than in the years 2013 to 2018, where annual growth of 0.6 per cent on average was roughly three times as high. The German population has been increasing since 2011 now, thus for eighth consecutive year. This increase is exclusively attributable to a positive net migration. The balance of inbound and outbound migration for 2019 is estimated to range from +300,000 to +350,000 people. Accordingly, net immigration has been decreasing from the extremely high figure reached in 2015 but still remains on a high level. Without positive net migration, the population would have decreased since 1972 since the birth rate has been lower than the mortality rate since that time.

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 Saarland) between 2017 and 2018, the population declined in the new German states (excluding Berlin) in all territories with the exception of Brandenburg. Overall, the population in the states of the former West Germany (excluding Berlin) rose by 0.3 per cent, while it fell slightly by 0.2 per cent in the new German states.

However, there is not only a gap between east and west but also between urban and rural areas: the seven A cities (Berlin, Hamburg, Munich, Cologne, Duesseldorf, Frankfurt am Main and Stuttgart) achieved an average population growth between 2017 and 2018 of 0.7 per cent on average, which is significantly above the nationwide rate of 0.2 per cent. Munich achieved the highest growth rate year on year (1.1 per cent), followed by Frankfurt am Main and Berlin, each with a rate of 0.9 per cent compared to the previous year.

The population in the further GATEWAY focus city of Leipzig is also developing positively. It rose by about 0.9 per cent from 2018 to 2019, bringing the population to over 600,000.

Not only the population is steadily increasing in Germany, the number of households is also characterized by a distinct development. While Germany's population grew by 2.8 per cent between 2013 and 2018, the number of households increased by 3.6 per cent. This was primarily due to two developments: the increasing life expectancy and a growing trend towards single-person households. The share of single-person households has increased to 42 per cent as of today.

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

According to the first estimates of the German Federal Statistical Office, the price-adjusted gross domestic product in 2019 was up 0.6 per cent over the previous year. Thus, the German economy increased its GDP for the tenth consecutive year. This is the longest expansion phase of the German economy since reunification. Nevertheless, the growth rate is markedly lower compared to the prior years: GDP grew by 2.5 per cent in 2017 and by 1.5 per cent in 2018. At 1.3 per cent, average growth in the past ten years is also higher than the growth achieved in the past year. While economic output rose in the services sector, output fell considerably in the industrial sector. The construction industry recorded the strongest gain, with growth amounting to 4.0 per cent.

The German labor market is also flourishing in line with the GDP development. According to the German Federal Employment Agency, the number of people in employment subject to social security contributions was at around 33.9 million at the end of November 2019, thus nearly 480,000 people more than in the previous year. A cities managed to grow at an even faster pace. The average growth in the number of employees between 2018 and the first half of 2019 in GATEWAY's focus cities (A cities plus Augsburg and Leipzig) was 2.1 per cent, whereas the number of people in employment in Germany as a whole rose only by 0.4 per cent in the same period.

According to the Federal Employment Agency, the unemployment rate was 4.9 per cent in December 2019 and was thus at one of the lowest levels since the turn of the millennium, as was the case as of the end of the prior year. In 2009, the unemployment rate had still amounted to 7.8 per cent. At the end of 2019, the unemployment rate in the A cities averaged 5.8 per cent, thus slightly exceeding the average for Germany as a whole. Berlin (7.7 per cent) and Cologne (7.6 per cent) had the highest unemployment rates, while Munich with a rate of 3.4 per cent had the lowest rate.

2.2.4 DEVELOPMENT OF REAL ESTATE MARKETS

Office market

According to the Real Estate Market Outlook 2020 published by CBRE, with an investment volume of just under €40 billion, office buildings remain the asset class with the strongest demand on the German real estate market. More than €32 billion or over 85 per cent of the investments were invested in A cities. The growing tertiarization of the German economy, changing working habits and also requirements made by employees result in a continued high demand for office space. This demand is supported primarily by the positive development of the economy during the past years. According to the office market overview published by JLL, office space take-up in the A cities of Berlin, Duesseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, the Munich region and Stuttgart totals at well over 4.03 million sqm in 2019, up just under 1.6 per cent on the previous year. The only factor limiting the take-up is the existing supply shortage.

Berlin only just misses the one million square meter mark and in 2019 achieves a space take-up of 998,500 sqm. The federal capital thus shows an increase of 18.6 per cent over the previous year. This is followed by Munich (760,000 sqm) in second place and Frankfurt am Main (579,500 sqm) in third place. While both cities recorded a decline of the take-up compared to the previous year, this decrease is not attributable to low demand, but to the insufficient supply.

Further evidence for this are declining vacancies as well as the high share of newly constructed space that is not available to the market due to pre-letting or own use. At the end of 2019, a total of 2.85 million sqm of office floor space is vacant in the A cities. This means a reduction in vacancies by 16 per cent compared to 2018. The average vacancy rate has fallen to 3.3 per cent. Berlin has a substantially lower vacancy rate of only 1.8 per cent, which is the lowest rate among all of the seven A cities. The sharpest decline can be observed in both Duesseldorf and Cologne, each with a drop of 1.1 percentage points.

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DEVELOPMENT OF THE VACANCY RATE ON THE A CITIES OFFICE MARKET

in %	Q4 2019	Q4 2018
Berlin	1.8	2.0
Cologne	2.2	3.3
Duesseldorf	5.8	6.9
Frankfurt am Main	5.5	6.3
Hamburg	3.0	3.9
Munich region	2.3	2.9
Stuttgart	2.3	2.2

Source: JLL

The development of the number of space newly completed shows that the construction activity is slowly gaining momentum. This figure increased by 21 per cent to 1.1 million sqm compared to 2018. Here, the Munich region leads the way with 335,600 completed square meters. The strongest increase in completed new space occurred in Berlin with a plus of 61.5 per cent, followed by Frankfurt am Main with 47 per cent.

Rents continue to trend upwards. On average, peak rents rose by 5.4 per cent in 2019. The banking metropolis of Frankfurt am Main continues to occupy the top position with €41.50 per square meter, closely followed by the Munich region with €41.00 per square meter. Berlin follows in third place and is also approaching the 40-euro mark in large steps. The biggest jump in prices compared to the previous year was made by Cologne with an increase of well over ten per cent to 26 euros per square meter.

In Augsburg, one of the focus cities in which GATEWAY is active with large project developments, the prime rent rose to €18.50 per square meter in the top segment. The average rent for new buildings is hovering at €13.50 per square meter. 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 for new building projects of 50 per cent is proof of a stable demand.

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DEVELOPMENT OF PRIME RENTS AMONG OFFICE RENTS IN A CITIES

in €/qm	Q4 2019	Q4 2018
Berlin	37.00	34.00
Cologne	26.00	23.50
Duesseldorf	28.50	28.00
Frankfurt am Main	41.50	40.00
Hamburg	29.00	28.00
Munich region	31.00	39.00
Stuttgart	24.50	23.50

Source: JLL

Retail market

In 2019, driven by rising real wages, increasing purchase power and a positive consumer sentiment, retail sales in Germany rose for the tenth consecutive year. The Federal Statistical Office forecasts an increase by 2.9 per cent (in real terms) compared to 2018.

However, against the backdrop of a strengthening online trade, brick-and-mortar retail trade is coming increasingly under pressure. According to CBRE's Real Estate Market Outlook 2020 for Germany, sales revenue generated via the Internet in 2010 amounted to 4.7 per cent; this figure has increased to 10.9 per cent already by 2019. The market shares of online trade in sales revenue vary considerably by industry. While the market shares of the electronics and fashion sectors amount to up to 25 per cent, they are significantly lower in the food and DIY industries.

Nevertheless, the space take-up on the retail rent market is more than stable with space of 500,000 sqm and an increase of 4 per cent compared to the previous year, according to the analysis of JLL. A good quarter of new and first-time lettings were in the seven A cities, two thirds were in small and medium-sized towns. The dominant industries in terms of rental revenue are the textile industry as well as the gastronomy and food segment, combining a share of 51 per cent.

Apart from the take-up, the investment volume also rose slightly compared to the previous year according to Colliers. Investments in retail properties increased by 3 per cent, reaching €10.1 billion in 2019. While the share of foreign investments declined to 39 per cent (2018: 44 per cent), foreign investors appreciate the variety of operating types and locations of German retail properties which enables them to allocate their capital on a very selective basis. In times of fundamental changes in the retail landscape due to online retailers, specialty stores and specialty retail parks with a food retail anchor represent a crisis-proof revenue driver for investors.

According to JLL, the prime rents in the A cities fell by 0.6 per cent on average, which is, however, exclusively attributable to the decrease in Cologne. In the other cities, the values remained stable.

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DEVELOPMENT OF PRIME RETAIL RENTS IN A CITIES

in €/qm	2019	2018
Berlin	330	330
Cologne	250	260
Duesseldorf	290	290
Frankfurt am Main	310	310
Hamburg	280	280
Munich	360	360
Stuttgart	270	270

Source: JLL

According to the vdp index, new contract rents for retail properties in Germany at the end of the fourth quarter of 2019 were 0.9 percentage points below the previous year's figure. For 2019 as a whole, the index records a minus of 0.3 per cent compared to 2018 – the first decline since 2007.

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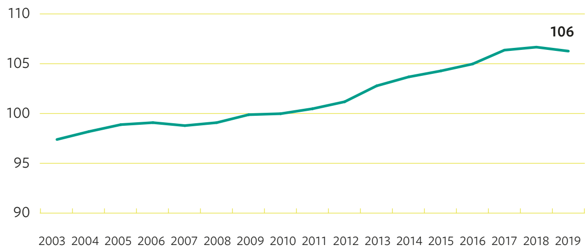
INDEXED DEVELOPMENT OF NEW CONTRACT RENTS FOR RETAIL PROPERTIES IN GERMANY



Source: vdpResearch (Index: 2010 = 100)

The prime yields of commercial properties in the A cities remained largely stable in 2019 and ranged between 2.75 and 3.3 per cent. Only in Berlin and Munich did they fall slightly.

In Augsburg, despite rising take-up, the retail rents in top locations decreased marginally from €78 per sqm to €75 per sqm in the size category of 80 to 120 sqm of space and by €49 per sqm to €45 per sqm in the size category of 300 to 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 16 among the most attractive retail locations of Germany.

Residential real estate market

According to the Federal Statistical Office, the number of building permits in 2019 totaled 360,600 permits for residential units, up 4.0 per cent year on year. Due to the capacity bottlenecks in the construction industry in the past few years, the number of completed construction projects did not rise at the same pace, leading to a backlog of around 700,000 residential units.

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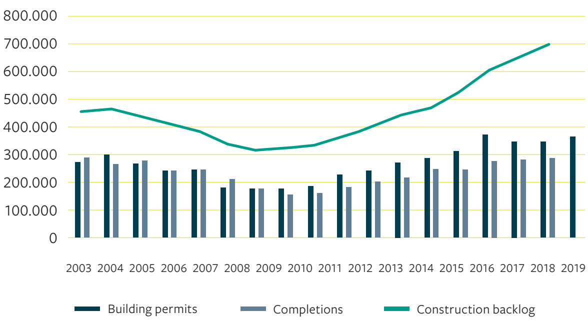
DEVELOPMENT OF BUILDING PERMITS, COMPLETIONS AND CONSTRUCTION BACKLOG IN GERMANY



Source: Federal Statistical Office

Despite the overall increasing construction activities, the demand for residential space remains on a high level. This is illustrated by the vacancy index of CBRE-empirica, which has been declining for twelve consecutive years and reached a new record low of 2.8 per cent for Germany as a whole at the end of 2018. The lowest rate (0.2 per cent) was recorded for Munich. Vacancy reserves have been fully utilized especially in the growth regions, the flourishing vibrant cities, in German known as “Schwarmstädte”. Vacancies rose, however, in the shrinking rural regions.

According to the vdp index, the price achieved for owner-occupied residential space in Germany rose by more than 50 per cent between 2008 and 2019. The price increase in the A cities even amounted to nearly 90 per cent.

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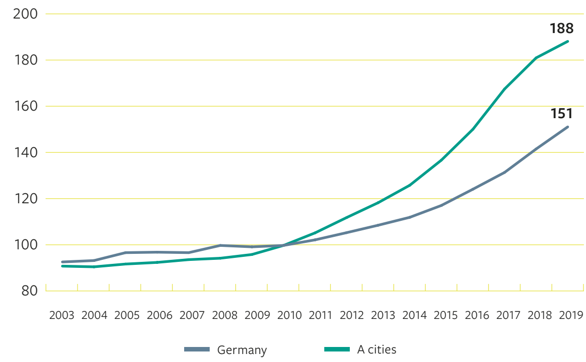
INDEXED DEVELOPMENT OF PRICES FOR OWNER-OCCUPIED HOUSING IN GERMANY AND THE A CITIES



Source: vdp-Research (Index 2010 = 100)

However, a price level seems to have been reached in the A cities that no longer allows large price jumps. Since the highest growth rate of 12.3 per cent in the fourth quarter of 2017, the growth rates have fallen continuously to 3.6 per cent in the fourth quarter of 2019. This means that the momentum of the A cities is now below the overall German development, which was 6.6 per cent in the fourth quarter of 2019. The strongest performer across the A cities was Berlin with an average price increase of 5.0 per cent, followed by Frankfurt am Main (4.0 per cent).

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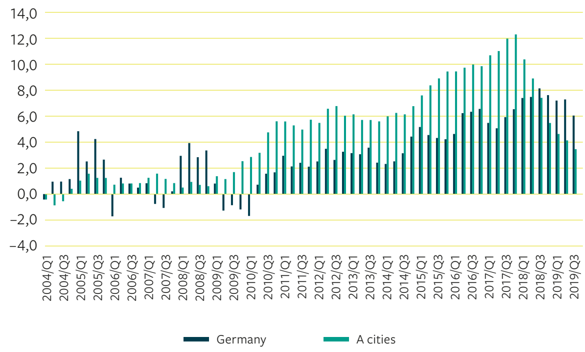
ANNUAL PRICE CHANGE FOR OWNER-OCCUPIED HOUSING IN GERMANY AND THE A CITIES (DEVELOPMENT COMPARED TO THE SAME QUARTER OF THE PREVIOUS YEAR IN %)



Source: vdp-Research

The development of rental prices for new tenancies shows a similar picture. The strong performance of the A cities is gradually weakening and was topped by the overall price increase in Germany in 2019, i.e. growth of 3.1 per cent compared with 4.5 per cent. The leader in terms of rental price development is Cologne with an average increase of 3.8 per cent, followed by Germany's capital Berlin with 3.4 per cent.

According to the 2019 housing demand model designed by the German Economic Institute (Institut der deutschen Wirtschaft, IW Cologne), approximately 342,000 new apartments will be needed across Germany in the years 2019 and 2020. While construction activities have steadily increased in the past years, the increase was not sufficient to meet the higher demand. Between 2016 and 2018, only 83 per cent of the demand was satisfied, and only 71 per cent in the A cities.

In the other GATEWAY focus cities, the degree of coverage through new construction is in some cases even lower than in the A cities. In Leipzig, approximately 1,900 residential units p.a. were completed between 2016 and 2018. However, the demand for residential space per year until 2020 for Leipzig is approximately 4,200 units. Thus, the coverage of the demand for new residential units is just 45 per cent, which is the worst figure in the federal state of Saxony, according to IW Cologne data. In Augsburg, where GATEWAY will develop a mixed-use city quarter at the former Osram site via a subsidiary, the coverage of required residential units is 69 per cent, according to IW Cologne.

As a result of the supply shortage, in particular with respect to one- and two-room flats and the changing requirements for living in general, new types of housing have emerged and are currently finding their way out of their niche role. These concepts include serviced apartments, student flats, co-living and micro apartments and vary in terms of furnishings, the services offered, the length of stay and the target group. All of these concepts have in common that they represent a commercial type of housing. According to Savills and C&W, the investments in this segment have increased significantly in the past years – pension funds, sovereign funds, insurance companies and institutional investors increasingly invest their capital into projects of commercial housing.

2.2.5 COMPETITIVE SITUATION AND MARKET POSITION OF THE GROUP

The competitive situation in the individual markets and asset classes in which GATEWAY is active is very diverse. When acquiring new plots of land for future development projects, GATEWAY in some cases competes not only with local, medium-sized real estate developers, but also – especially in the area of residential development – with municipal and communal enterprises as well as with large listed real estate groups. In this latter group, the expansion of the development business is a noticeable trend. For example, the DAX-listed Vonovia Group announced the takeover of the Hanau-based project developer Bien-Ries AG in March 2020, following the acquisition of the residential property developer BUWOG completed in 2018. However, GATEWAY does not primarily compare itself with the large listed portfolio holders, such as Deutsche Wohnen or LEG, who are now building up their own development segments in addition to their standing assets business and who are not primarily active in office development, but rather with listed German-speaking companies with a development focus. These include Consus AG, listed in the Scale stock exchange segment, with a market capitalization of around €1 billion at the end of 2019, and the SDAX-listed Instone Real Estate Group AG with a market capitalization of around €816 million at December 31, 2019. Both companies have a strong residential focus. These are followed by 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 and focuses more strongly on the area of office property development, although it only had a market capitalization of €54.6 million at the end of 2019. 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 €350 million at the end of 2019. With a market capitalization of more than €814 million as of December 31, 2019, GATEWAY is one of the top developers listed on the stock exchange and has a unique selling point with its stronger focus on office and commercial properties. After the outbreak of the coronavirus epidemic in Germany in March 2020 and the negative impact of this crisis on the stock markets, the listed development companies suffered heavy price losses and thus also a significant reduction in their market capitalization, while GATEWAY showed stability in this crisis and has a market capitalization of approximately €751 million as of March 26, 2020.

2.3 BUSINESS DEVELOPMENT

After successfully having paved the way in 2018 and after the takeover of Development Partner AG, the beginning of the reporting year was dominated by the intense preparations for the uplisting to the regulated market of the Frankfurt Stock Exchange (Prime Standard). GATEWAY and Development Partner were combined to form the GATEWAY Group as it is today – one of the leading developers of commercial and residential real estate in Germany. This was preceded by a successful capital increase. On April 10, 2019, GATEWAY placed 16,895,939 new shares from the capital increase announced on March 20, 2019, within the context of an international private placement with institutional investors at a placement price of €4.00 per share. The transaction led to a significant increase in the free float. The total issue volume of the capital increase amounted to approximately €180 million.

The major contributors to the successful business development in 2019 were the sales GATEWAY completed during the past fiscal year. The standing asset portfolio was trimmed down substantially and, in addition to single properties in Bochum, Siegen and Duesseldorf, a large property portfolio consisting of 21 commercial properties was also sold for a total amount of €242 million to a special fund of German pension schemes. In addition, the GATEWAY Group successfully sold various development projects. This concerns three projects in Cologne, Frankfurt and Wiesbaden as well as all development projects that the Group does not include in its financial statements via full consolidation, but only under the equity method. As a result of these measures, the GATEWAY Group successfully implemented its corporate strategy – focusing on project developments – and greatly optimized the portfolio. Further highlights include the forward sales of two development projects in Cologne and Duesseldorf, where GATEWAY will receive the purchase price in instalments already during the implementation phase of the projects.

On November 13, 2019, the Company entered into a profit transfer agreement with its subsidiary Development Partner AG. The agreement became effective upon entry into the company register on November 25, 2019. The Company recognized profits in the amount of €13.2 million in the fiscal year 2019.

In December 2019, Gateway Real Estate AG increased the issued bearer bonds in the amount of €40,000 thousand, divided into 40,000 individual bearer bonds in denominations of €1 thousand each, to a total of €73,810 thousand. The coupon amounts to 4.25 per cent p.a., payable annually retrospectively. The redemption date is July 5, 2021.

2.4 FINANCIAL PERFORMANCE, FINANCIAL POSITON, CASH FLOWS

2.4.1 FINANCIAL PERFORMANCE

The financial performance of Gateway Real Estate AG is presented in the following table in comparison with the previous year:

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in € million	2019	2018	Change in result
Operating profit			
Revenue	0.1	9.0	–8.9
Changes in inventories of finished goods and work in progress	0.0	–5.8	5.8
Other operating income	40.8	35.8	5.0
Raw materials and consumables used	0.0	–0.1	0.1
Employee benefits expense	–1.9	–9.0	7.0
Amortization, depreciation and write-downs	–0.1	–0.1	0.0
Other operating expenses	–10.9	–4.3	–6.6
	28.0	**25.5**	**2.5**
Net finance income			
Income from equity investments	72.4	0.0	72.4
Income from profit transfer agreements	13.2	0.0	13.2
Finance income	5.7	3.9	1.8
Finance costs	–3.1	–3.2	0.1
	88.2	**0.7**	**87.5**
Profit of the Company			
Operating profit	28.0	25.5	2.5
Net finance income	88.2	0.7	87.5
Net profit for the year	**116.2**	**26.2**	**90.0**

Revenue in the amount of €0.1 million mainly refers to intragroup cost allocations for Group companies. The reduction compared to the previous year results from the fact that gains on disposal in the amount of €7.4 million were recognized for the plot of land in Monsheim in the previous year. The changes in inventories of finished goods and work in progress were related to the derecognition of the carrying amount of the Monsheim plot.

Other operating income in the amount of €40.8 million mainly refers to gains from the sale of shares in affiliated companies and equity investments in the amount of €39.4 million (previous year: €24.1 million) as well as income from cost transfers in connection with the initial public offering (IPO) and the replacement of the shares of the principal shareholder (€1.3 million).

In the previous year, employee benefits expense included expenses in connection with the changes in the Management Board (€7.0 million). Excluding the special effects of the previous year, employee benefits expense for 2019 were on prior-year level.

Other operating expenses rose by €6.6 million to €10.9 million over the previous year. Among other things, this was due to special effects in the amount of €2.7 million (costs to sell long-term financial assets in the amount of €0.5 million as well as transaction costs for the IPO and the new placement or replacement of shares amounting to €2.1 million). In addition, this increase compared to the previous year are due to higher administrative, legal and consulting expenses as well as costs for financial statements and audit fees which primarily are connected with the IPO.

Operating profit amounted to €28.0 million, after €25.5 million in the prior year. The increase compared to the previous year primarily results from the increase in the profits from the sale of shares in affiliated companies and equity investments as well as from the reduction in employee benefits expense. This was offset by increased other operating expenses for legal, consulting and audit fees.

Net finance income amounted to €88.2 million in the reporting year (previous year: €0.7 million). The large increase is mainly attributable to the investment income from two subsidiaries (€72.4 million) as well as income generated from a profit transfer agreement with Development Partner AG (€13.2 million). Interest income also rose in comparison with the previous year due to the higher volume of loan receivables from affiliate companies for project and property financing.

Earnings after income taxes amounts to €116.2 million, representing an increase by €90.0 million compared to the previous year (€26.2 million).

2.4.2 FINANCIAL POSITION

GATEWAY's financial position is presented in the following table in comparison with the previous year:

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in € million	2019	2018	Change
Assets			
Tangible fixed assets	0.1	0.1	0.0
Long-term financial assets	518.6	600.3	–81.7
Medium and long-term assets	**518.7**	**600.4**	**–81.7**
Intragroup receivables	139.9	13.4	126.5
Cash and cash equivalents	164.8	24.9	139.9
Other assets	8.6	0.6	8.0
Current assets	**313.3**	**38.9**	**274.4**
	832.0	**639.3**	**192.7**
Capital			
Share capital	186.8	169.8	17.0
Reserves	404.3	353.4	50.9
Net retained profit	116.7	19.2	97.5
Equity	**707.8**	**542.4**	**165.4**
Bonds	73.8	33.8	40.0
Medium and long-term debt	**73.8**	**33.8**	**40.0**
Trade payables	0.3	1.6	–1.3
Intragroup liabilities	18.7	10.3	8.4
Provisions	2.1	1.2	0.9
Other liabilities	29.3	50.0	–20.7
Short-term debt	**50.4**	**63.1**	**–12.7**
	832.0	**639.3**	**192.7**

GATEWAY's assets increased by €192.7 million or 30.1 per cent to €832.0 million as of December 31, 2019. While medium and long-term assets fell by €81.7 million, current assets rose significantly by €274.4 million.

Long-term financial assets decreased by €81.7 million, primarily due to the repayment of loans to affiliated companies.

Intragroup receivables increased by €126.5 million, which was largely attributable to loans granted to affiliated project-specific property companies.

Cash and cash equivalents rose by €139.9 million to €164.8 million. The reasons for this increase are detailed in the section on cash flows (see 3.3).

Equity increased by €165.4 million as a result of the capital increase against cash contributions (€67.9 million) and the net profit generated for the year (€116.2 million). This was offset by dividends paid (€–18.7 million). GATEWAY's equity ratio remains virtually unchanged at 85.0 per cent.

Medium and long-term debt comprises the bonds which increased by €40.0 million to €73.8 million as a result of the drawdown of the 5th tranche.

Short-term debt declined by €12.7 million which is attributable to the reduction of the other liabilities (€–20.7 million) and the increase in intragroup liabilities (€8.4 million).

2.4.3 CASH FLOWS

GATEWAY's cash flows are presented in the following table:

—

in € million	Change
Net profit for the year	116.2
Increase in provisions	0.9
Gains on the disposal of tangible fixed assets and long-term financial assets	–39.4
Increase in intragroup receivables	–59.7
Increase in other assets	–6.5
Decrease in intragroup liabilities	–62.1
Decrease in other liabilities	–2.7
Income taxes paid/refunded	–1.5
Income from equity investments and profits transferred	–85.6
Finance income/finance costs	9.1
Cash flows from operating activities	**–131.3**
Proceeds from the disposal of long-term financial assets	130.0
Payments for investments in long-term financial assets	–8.9
Dividends received	8.4
Interest received	6.5
Cash flows from investing activities	**135.9**
Proceeds from the issuance of share capital	67.9
Proceeds from the issuance of bonds and from borrowings	170.6
Payments for the redemption of bonds/borrowings	–80.0
Interest paid	–4.5
Dividends paid to shareholders	–18.7
Cash flows from financing activities	**135.3**
Net change in cash and cash equivalents	**139.9**
Cash and cash equivalents at beginning of period	**24.9**
Cash and cash equivalents at end of period	**164.8**

The cash flow statement shows an increase in cash and cash equivalents by €139.9 million.

While cash flows from operating activities were negative (€–131.3 million), cash flows from investing activities (€135.9 million) and from financing activities (€135.3 million) made positive contributions to cash and cash equivalents.

Material cash outflows from operating activities refer to the cash management within the Group (€121.8 million). In contrast, an amount of only €0.3 million were contributed from the current result (net profit for the year after elimination of gains on the disposal of long-term financial assets, income from equity investments, profit transfers and net interest income).

Material cash inflows from investing activities refer to the disposal of long-term financial assets (€130.0 million).

Material cash inflows from financing activities primarily resulted from the capital increase against cash contributions in April (€67.9 million) as well as the taking out of borrowings (€130.6 million) and the issue of bonds (€40.0 million). In addition, there were cash outflows from the redemption of borrowings (€80.0 million).

3. REPORT ON RISKS AND OPPORTUNITIES

3.1 RISK MANAGEMENT SYSTEM

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

These risks arise to a large degree from potential changes in the social, political, legal, economic, and technical framework. However, within the context of risk and opportunity management, 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 expanded its risk management system to account for the changes introduced to its Group structure and the realignment of its business model following the acquisition of Development Partner AG in the second half of the fiscal year 2018 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 turn of the year 2019/2020, the risk management system also complies with the recommendations of the German Corporate Governance Code, with the exception of the matters mentioned in the declaration of compliance:

https://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 and/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:

—

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 %

—

Evaluation of the impact	Classification of impact	Share in EBIT adjusted	Impact in € thousand, rounded (based on EBIT adj. of €150 million)
1	insignificant	0.0–0.001 %	0–150
2	low	0.001–0.05 %	150–750
3	medium	0.05–1 %	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 accounting process".

3.2 RISK REPORT AND INDIVIDUAL RISKS

Gateway Real Estate AG conducts its operating activities to a significant extent via its subsidiaries. Accordingly, the Company is directly and in part also indirectly affected by the Group's business risks and opportunities. Therefore the risk management system of GATEWAY is integrated into the risk management of the Group.

With the acquisition of the Development Partner companies in 2018, GATEWAY has started to provide a significant part of its operating business through its subsidiaries. Corporate management and planning is carried out at Group level on the basis of the segments "Standing Assets", "Commercial Properties Development" and "Residential Properties Development". In this respect, the following statements in the management report take a very strong Group perspective.

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 which might have an impact on key influencing factors for the business performance of GATEWAY. These influencing factors include, for example 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.

In the following, we present individual risks that may have an impact on the financial position and performance of Gateway Real Estate AG, 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 classifications"). 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, which already takes into account countermeasures defined by GATEWAY and its effects for the calculation.

3.2.1 PROPERTY-SPECIFIC RISKS

Transaction risk

As a developer of commercial and residential properties operating across Germany focusing on the top 7 locations and selected high-growth regions, the acquisition of new plots of land and development projects as well as the sale of completed projects are integral parts of GATEWAY's business activities. 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, on the one hand, additional management and marketing costs as well as unplanned subsequent costs and, on the other hand, there might be a loss of budgeted income. 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 corona 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. With regard to transaction risks, the Management Board currently generally assumes an unlikely occurrence, and with regard to the corona issue a possible likelihood of occurrence. If the corresponding risks were to manifest themselves, this would result in insignificant to low financial consequences 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. The Management Board assumes a possible occurrence with regard to the risk of loss of rental income 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. The Management Board of GATEWAY assumes an unlikely occurrence with regard to the letting risk for the Group's current rental portfolio. Against the background of the current corona 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. With regard to the risk of loss of rental income, the Management Board assumes an unlikely occurrence and, if it does occur, expects a low financial impact.

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 risks
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 as well as a low financial impact.

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 corona 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 corona 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 large 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 occurring to be unlikely and an insignificant financial impact taking into account the measures initiated by GATEWAY.

Liquidity risk
If the Company cannot meet its payment obligations when due owing to a lack of liquidity, this could have a substantial 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 and classifies the financial impact as insignificant.

Tax risks
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 to medium financial impact on the Group.

Legislation risks
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 medium impact on the financial situation of the Group, but the probability of occurrence is currently assessed as unlikely.

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 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 Berlin 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 (Covid-19) have led many companies to restrict business trips also 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 caused by the coronavirus, this could also lead to delays in acquisition activities and in the realization of ongoing project developments. Against this background, the Management Board assumes a possible probability of occurrence and a low financial impact of possible human resources risks for the Group.

Litigation risks
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, or settlements. GATEWAY currently has no pending litigation of material importance. The Management Board currently sees only an unlikely probability of occurrence of litigation risks, which, if they manifest themselves, are likely to have a low financial impact overall.

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 possible; the potential financial impact is assessed as insignificant overall.

IT risks
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 not be significant.

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, but in view of the corona pandemic and its currently unforeseeable impacts considers the risk situation as being slightly increased in comparison with the previous fiscal year.

3.2.4 REPORT ON OPPORTUNITIES
GATEWAY is one of the developers of commercial and residential properties in Germany with activities at the national level and focuses its business activities across Germany on the top 7 locations and high-growth regions with a strong demand for high-quality properties. The parallel activities in the two property asset classes "Commercial" and "Residential" as well as the regional presence in various locations within Germany present 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 per cent 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.

4. REPORT ON EXPECTED DEVELOPMENTS

4.1 ECONOMIC ENVIRONMENT 2020

4.1.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

While the year 2019 was primarily affected by geopolitical uncertainties such as the trade conflict between the USA and China, the situation initially had stabilized at the beginning of the year 2020. The two world powers USA and China signed a first trade agreement in mid-January 2020. The Brexit, however, still remained a factor of uncertainty. According to the German Federal Ministry of Economic Affairs and Energy, the gross domestic product (GDP) was expected to increase by 1.1 per cent, thus exceeding the prior-year growth.

As a result of the spreading of the coronavirus, the real economic development, however, is set to be substantially slower than previously assumed. The attempts to contain the spread of the virus have several effects on the global and the German economy. Since March 11, 2020, the World Health Organization (WHO) has classified the coronavirus officially as a pandemic, thus recognizing the worldwide consequences. Due to quarantine measures, there are currently significant effects on all industrial sectors as well as on public life with cancelled cultural events or sports events behind closed doors or closed kindergartens, schools or universities. Closed borders put international supply chains at risk and consumer demand is declining significantly. Above all, the tourism and catering industry is currently strongly and directly affected, being put into a dormant state for weeks or months. The uncertain situation is also inhibiting investments in almost all industries. There are direct effects across all sectors in terms of employee availability and working ability, as well as possibly through dependence on other industries and services.

Due to the uncertain timing of the pandemic, no reliable forecasts can be made at this stage for the development of both the global and the German economy. However, it is obvious that the spread of the virus will have fundamental, negative effects. Rate hikes by the ECB are therefore not an issue in view of the corona crisis.

According to the forecasts from January 2020, Germany's gross domestic product was expected to rise further. The growth rates ranged from 0.5 to 1.4 per cent until year-end. This growth was expected to be driven by a flourishing domestic economy. However, due to the spread of the coronavirus pandemic, these forecasts are no longer valid as of today; economic growth will be significantly lower in Germany and internationally. It is currently not possible to conclusively assess the extent of the effects of the crisis.

4.1.2 SOCIODEMOGRAPHIC DEVELOPMENT

According to the forecast, Germany's population is expected to grow further in the years to come, albeit at a considerably slower pace than in previous years. Until 2030, Germany's population is set to grow to approximately 83.3 million, representing an increase by around 100,000 people. In this context, an above-average growth is projected for cities.

This can be explained by the continuing megatrends of urbanization and tendency toward one-person households. As of today, roughly 77 per cent of the German population currently lives in cities. In the next 30 years, this figure is anticipated to rise to above 84 per cent, according to a forecast of the United Nations. The share of one-person households is also expected to rise. The German Federal Statistical Office expects this share will rise to at least 44 per cent by 2035.

4.1.3 DEVELOPMENT OF REAL ESTATE MARKETS

Office market

The outlook for the German office market remains positive for 2020. At the beginning of the year, all forecasts were based on a continued economic growth which in turn fuels the employment in the office sector on a sustainable basis. Despite increased construction activities, a shortage of supply can be observed above all in the A cities which is set to continue in 2020. A high space take-up is expected especially from new building projects and further rising rents.

The specific effects of the corona pandemic on the German office property market are currently hardly estimable. The first figures from Asia indicate a significant decline of the investment volume and consequently also of the space take-up. Postponement of transaction can be observed already in Germany. In the most benign scenario, only small effects on the office markets were to be expected in case of a relatively short spread of the pandemic and comprehensive fiscal policy support measures.

Retail market

Despite disruption in the brick-and-mortar business and the flat prime rents, the investors' demand for retail properties is not expected to decline in medium term. The reasons for this are the shortage of supply, the lack of investment alternatives and the stable yield, especially in A cities.

However, the temporary shutdown of a number of retail stores to stop the spread of the coronavirus in Germany currently leads to massive losses of revenue. The risk of loss of rental income has increased significantly. In the case of a worldwide recession of the L type, a substantial decline in demand, space take-up, investment volume and rents as well as an increase in the vacancy rate has to be expected.

Residential real estate market
The projected population growth until 2030, the megatrend of urbanization and the increasing number of households, following the higher life expectancy and the establishment of new ways of living, strongly contribute to the continued high demand for residential space, in particular in the large agglomerations of Germany. Since the construction activities currently are not sufficient to ensure an adequate supply, there will continue to be excess demand in the years to come.

Residential properties may be the winners of the crisis as they continue to benefit from low interest rates and represent a safe haven asset class. The short-term consequences of the corona pandemic largely are delayed conclusions of rental agreements. It is possible that the closure of borders and the associated lack of mobility of construction workers will delay the completion of residential buildings. This would lead to a further increase of the excess demand in the A cities. If there is a sustainable, global L type recession, a negative impact on the German residential markets cannot be ruled out due to falling wages and rising unemployment.

4.2 OUTLOOK FOR GATEWAY

With the acquisition of the Development Partner companies in 2018, GATEWAY has started to provide a significant part of its operating business through its subsidiaries. Corporate management and planning is carried out at Group level on the basis of the segments "Standing Assets", "Commercial Properties Development" and "Residential Properties Development". In this respect, the following statements in the management report take a very strong Group perspective.

Prior to the outbreak of the corona pandemic with its massive changes in social and economic life, GATEWAY's Management Board expected stronger growth of the German economy in general and the real estate market in particular due to positive economic data.

Even if the fundamental assessment of the described developments in GATEWAY's focus cities regarding population development, excess demand and interest rate development has not changed, the extent and effects of the corona pandemic on the business development in 2020 cannot yet be conclusively assessed by the Management Board.

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 probable economic crisis are too uncertain.

Excluding the impact of recent developments, the Management Board still expected an EBIT adjusted of at least €150 to 160 million and consolidated profit for the year of €120 to 130 million as in 2019 for the 2020 financial year.

Due to the current situation, this forecast is no longer valid.

In the absence of available empirical data and assuming that the measures introduced worldwide can slow down the spread of the virus, a similar course as in China can be seen as a realistic scenario. In this scenario, the Management Board expects economic life to normalize largely over the next three months. In this scenario, the negative impact on the GATEWAY Group is considered low and negative effects in the mid to high single-digit percentage range are expected.

However, since a less positive course of the pandemic, with unforeseeable consequences for the real economy and thus also for the GATEWAY Group, could occur, the Management Board estimates the negative impact to be in the low to medium double-digit percentage range, should the crisis last significantly longer than the three months and then probably extend to the end of the year.

Due to the large volume of purchases in 2019, the Group's pipeline is well filled. This means that even if the slump on the capital markets with the associated increase in the cost of raising capital has a lasting effect, GATEWAY will have sufficient projects for the next two years.

In addition to numerous risks, GATEWAY also sees opportunities for the procurement market as a result of an economic crisis. The financial difficulties of other companies may open up opportunities to acquire properties in particularly attractive locations or on particularly good terms.

Even if the Management Board does not currently regard a sustained crisis beyond 2021 as the most probable scenario, there is nevertheless a risk in this regard that should not be underestimated. Compared to the above figures, a decrease in the mid to high double-digit percentage range is not considered unrealistic in this scenario.

Like most companies, GATEWAY is now monitoring current developments very closely, is analyzing the circumstances, risks and opportunities within the framework of the implemented risk management system and makes decisions in accordance with the results.

The Management Board continues to believe that the Group is well positioned and, on the basis of the risks analyzed and assessed, does not currently see any risks that could endanger its continued existence.

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

The risk management of the Company and the Group 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 operating companies of the Company and its affiliated companies. 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. GATEWAY's Management Board, in whose area of responsibility the ICS is located, 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 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 the 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 newly established 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 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.

With regard to an assessment of the risks related to the corona pandemic, we refer to the comments under points 3 and 4.

CAPITAL RISK MANAGEMENT

The Group regularly reviews its capital structure in connection with the preparation of its annual and interim financial statements.

INTEREST RATE RISK

Risks arising from interest rate changes fundamentally exist for the Group in connection with taking out loans to finance the purchase of properties. A variable interest rate for the future loan obligations was agreed upon in the majority of the loan contracts. Interest rate hedges to reduce the risk have not yet been concluded.

DEFAULT RISK MANAGEMENT

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

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

Impairment losses in the category of other current financial assets are insignificant for the Group.

With few exceptions, loan receivables are particularly 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. 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 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.

7. DISCLOSURES AND EXPLANATIONS RELEVANT TO TAKEOVERS

The following disclosures pursuant to Sections 289a (1) and 315a (1) of the German Commercial Code (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 (AktG).

COMPOSITION OF THE SUBSCRIBED CAPITAL

The subscribed capital (share capital) of Gateway Real Estate Group AG amounted to €186,764,040.00 on December 31, 2019. It is divided into 186,764,040.00 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 proportion in the profit. The rights and obligations arising from the shares are based on the applicable statutory provisions. As of December 31, 2019, the Company held no treasury shares.

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

As published on December 19, 2019, Mrs. Sandra Ketterer holds 12.28 per cent of the voting rights of the Company.

As published on April 18, 2019, Mr. Norbert Ketterer – also via his shareholding in another company, SN Beteiligungen AG – holds a total of 65.75 per cent of the voting rights of the Company.

It should be noted that the last reported number of voting rights may have changed since then 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 is 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. Appointment and dismissal is 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 casts and, if in addition to a majority of votes a majority of the 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 by 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 per cent 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 per cent of the share capital is to be diminished 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 per cent of the share capital is also to be diminished by the pro-rata amount of the share capital attributable to shares issued to satisfy bonds with conversion or option rights or to fulfil conversion or option obligations arising from convertible and/or option bonds 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 by 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 per cent 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 per cent of the share capital is to be diminished 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 per cent of the share capital is also to be diminished by the pro-rata amount of the share capital attributable to shares issued to satisfy bonds with conversion or option rights or to fulfil conversion or option obligations arising from convertible and/or option bonds 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 option 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, option bonds 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 Conditional 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 financial 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 Board of Management 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

Individual contracts of corporate financing of the Company provide for a special termination right of the financing provider in the event of a change of control (in some cases defined as the acquisition of a majority interest in terms of voting rights or equity interest, in some cases defined as holding more than 30 per cent of the voting rights in the Company). Other than this, there are no material agreements with third parties or Group companies as of the balance sheet date that take effect, change or end in the event of a takeover bid.

The service agreements of the members of the Management Board do not contain any provisions for the event of a change of control.

8. REMUNERATION REPORT

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In accordance with the recommendations of the German Corporate Governance Code, GATEWAY discloses the remuneration of individual members of the Management Board separately and describes the remuneration system in a generally comprehensible way. The full Supervisory Board determines the total remuneration for each Management Board member. The full Supervisory Board resolves the Management Board remuneration system and reviews it regularly.

The current Management Board remuneration exclusively consists of a fixed remuneration which is paid in equal monthly instalments. There are no variable remuneration components.

In addition, both members of the Management Board received the following fringe benefits in the year 2019: A monthly flat-rate allowance of €2 thousand (gross) to cover all costs arising from and in connection with business trips with the member's own car. The Management Board members are reimbursed to a reasonable extent for all expenses required in the interest of the Company. The Management Board members are reimbursed for travel, representation and entertaining costs upon the submission of individual evidence. For both members contributions for a group accident insurance are assumed. Effective as of January 1, 2019, the 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. Instead of benefits, both 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).

The remuneration for members of the Management Board for the fiscal year 2019 was as follows:

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Remuneration granted	**Manfred Hillenbrand, CEO First appointment: 2016**				**Tobias Meibom, CFO First appointment: 2011**			
in € thousand	**2018**	**2019**	**2019 (min)**	**2019 (max)**	**2018**	**2019**	**2019 (min)**	**2019 (max)**
Fixed remuneration	480	480	480	480	480	480	480	480
Fringe benefits	28	31	31	31	28	33	33	33
Sum	508	511	511	511	508	513	513	513
Pension benefits	7	7	7	7	7	7	7	7
Total remuneration	515	518	518	518	515	520	520	520

In addition, Manfred Hillenbrand received €80 thousand and Tobias Meibom received €920 thousand in connection with the temporary cessation of their activities.

As far as the remuneration for members of the Supervisory Board is concerned, the Company's Annual General Meeting on August 21, 2019, adopted the following resolution for the first time: 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 rule applies for the first time for the entire fiscal year 2019, and 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 remuneration for members of the Supervisory Board for the fiscal year 2019 was as follows:

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Member of the Supervisory Board	**Time period**	**Remuneration in 2019** in € thousand
Norbert Ketterer (Chairman of the Supervisory Board)	01.01.2019–31.12.2019	40
Thomas Kunze (Deputy Chairman of the Supervisory Board)	01.01.2019–31.12.2019	30
Ferdinand von Rom	01.01.2019–31.12.2019	20
Jan Hendrik Hedding	21.08.2019–31.12.2019	around 7,2 (pro rata)
Marcellino Graf von und zu Hoensbroech	21.08.2019–31.12.2019	around 7,2 (pro rata)

9. CLOSING STATEMENT REGARDING THE DEPENDENT COMPANY REPORT PURSUANT TO SECTION 312 AKTG

In accordance with Section 312 AktG, the Management Board makes 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 enterprises affiliated with this company."

Frankfurt am Main, March 27, 2020

Manfred Hillenbrand

Tobias Meibom

BALANCE SHEET

AS OF DECEMBER 31, 2019

ASSETS

in €	31.12.2019	31.12.2018
A. Fixed assets		
I. Tangible fixed assets		
Other equipment, operating and office equipment	100,785.00	128,589.00
II. Long-term financial assets		
1. Shares in affiliated companies	507,235,956.20	507,316,932.45
2. Loans to affiliated companies	11,303,895.78	92,897,967.62
3. Equity investments	42,446.52	56,872.48
	518,683,083.50	**600,400,361.55**
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	138,695,746.70	12,322,260.45
2. Receivables from other long-term investees and investors	1,191,944.38	1,091,944.42
3. Other assets	8,017,721.94	575,263.83
II. Cash on hand, balances held at the Bundesbank, bank balances and cheques	164,848,115.28	24,930,640.58
	312,753,528.30	**38,920,109.28**
C. Prepaid expenses	597,585.65	25,593.50
	832,034,197.45	**639,346,064.33**

EQUITY AND LIABILITIES

in €	31.12.2019	31.12.2018
A. Equity		
I. Subscribed capital	**186,764,040.00**	**169,785,491.00**
II. Reserves	**403,346,994.40**	**352,411,347.40**
III. Retained Earnings	**1,008,232.11**	**1,008,232.11**
IV. Profit carried forward	**116,650,321.65**	**19,156,410.00**
	707,769,588.16	**542,361,480.51**
B. Provisions		
Other provisions	2,162,849.00	1,236,792.00
C. Liabilities		
1. Bonds	73,810,000.00	33,810,000.00
2. Liabilities to banks	12.51	0.00
3. Trade payables	274,999.11	1,583,643.79
4. Liabilities to affiliated companies	18,721,764.62	10,290,783.35
5. Other liabilities	29,294,057.58	50,061,313.21
thereof from taxes €54,279.31 (previous year: €791,226.37)		
	122,100,833.82	**95,745,740.35**
D. Deferred income	926.47	2,051.47
	832,034,197.45	**639,346,064.33**

STATEMENT OF PROFIT AND LOSS

FROM JANUARY 1 TO DECEMBER 31, 2019

in €	2019	2018
1. Revenue	98,145.93	9,042,776.38
2. Decrease in finished goods and work in progress	0.00	–5,826,650.31
3. Other operating income	40,840,990.35	35,802,248.00
4. Raw materials and consumables used		
a) Cost of raw materials, supplies and goods purchased for resale	6.76	–85,628.03
5. Employee benefits expense		
a) Wages and salaries	–1,778,987.89	–8,858,416.44
b) Social security contributions, pensions and other employee benefits	–84,311.55	–100,146.56
thereof for pensions €2,360.43 (€1,958.40)		
6. Amortization, depreciation and write-downs		
a) Amortization and depreciation	–36,682.93	–101,933.62
b) Write-downs of current assets to the extent that they exceed the write-downs that are usual for the corporation	–50,000.00	0.00
7. Other operating expenses	–10,893,747.99	–4,333,003.92
8. Income from equity investments	72,400,000.00	0.00
9. Profits received based on profit transfer agreements agreements	13,154,381.90	0.00
10. Income from other securities and long-term loans	50.62	18.00
11. Other interest and similar income	5,652,038.23	3,934,199.52
thereof from affiliated companies €5,497,596.79(€3,826,146.52)		
12. Interest and similar expenses	–3,129,849.54	–3,236,808.88
thereof from affiliated companies €81,104.77 (€2,739.73)		
13. Income taxes	0.97	1.10
14. Earnings after tax	**116,172,034,86**	**26,236,655.24**
15. Other taxes	–1,719.21	–3,261.89
16. Net profit for the year	**116,170,315.65**	**26,233,393.35**
17. Retained profits brought forward	480,006.00	–6,068,751.24
18. Transfer to revenue reserves	0.00	–1,008,232.11
19. Net retained profit	**116,650,321.65**	**19,156,410.00**

NOTES

TO THE ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2019

ACCOUNTING PRINCIPLES

Gateway Real Estate AG (hereinafter also referred to as "GATEWAY" or "Company") has its registered office in Frankfurt am Main, Germany, and is registered with the Frankfurt am Main local court under the number HRB 93304.

The Company is a publicly-traded company and is therefore considered a large corporation (*große Kapitalgesellschaft*) within the meaning of Section 267 (3) sentence 2 of the German Commercial Code (*Handelsgesetzbuch*, HGB) in conjunction with Section 264d HGB. On April 10, 2019, the Company's shares were admitted to trading on the Frankfurt Stock Exchange. The first trading day was April 12, 2019. The Company's shares have the German securities identification number (*Wertpapierkennnummer*; WKN) A0JJTG and the International Securities Identification Number (ISIN) DE000A0JJTG7. They are listed on the regulated market in the Prime Standard of the Frankfurt Stock Exchange, on XETRA as well as on the over-the-counter markets of the stock exchanges in Duesseldorf, Munich, Berlin, Hamburg and Stuttgart.

The annual financial statements of GATEWAY as of December 31, 2019, were prepared on the basis of the accounting policies set out in the German Commercial Code and the German Stock Corporation Act (*Aktiengesetz*, AktG).

The balance sheet and the income statement are structured in accordance with Sections 266 and 275 (2) HGB (total cost format).

The consolidated financial statements for the largest and the smallest group of consolidated companies in which the Company is included is prepared by the Company and disclosed in the German federal gazette (*Bundesanzeiger*).

ACCOUNTING POLICIES

The following accounting policies remained applicable for the preparation of the financial statements. Measurement was based on the going concern assumption.

Tangible fixed assets are carried at cost less depreciation, where applicable. Depreciation is based on the expected useful life which ranges between three and 13 years and is recorded on a straight-line basis.

Movable fixed assets with a cost of up to €800 are fully written off in the year of acquisition.

Movable fixed assets with a cost of below €250 are fully expensed as incurred in the year of acquisition.

Equity investments included in long-term financial assets are measured at cost, or, if necessary, at the lower fair value as of the reporting date.

Loans included in long-term financial assets are measured at their nominal value, or, if necessary, at the lower fair value as of the reporting date.

Receivables and other assets are recognized at the lower of nominal value or fair value.

The Company does not make use of the recognition option for deferred taxes in accordance with Section 274 (1) sentence 2 HGB.

Cash in hand and at bank is recognized at nominal values.

Prepaid expenses refer to expenditure made before the balance sheet date that represents an expense attributable to a period after the balance sheet date. The item is reversed on a straight-line basis over time.

Subscribed capital is carried at its nominal amount or the notional interest in the share capital.

Other provisions take into account all uncertain liabilities. They are reported at the settlement amount (i.e. including future cost and price increases) deemed to be required based on prudent business judgment.

Liabilities are stated at their settlement amounts. If the values applicable as of the reporting date exceed the settlement amounts, the liabilities are measured at the higher amount as of the reporting date.

Deferred income refers to proceeds that represent income for a specific time after the reporting date. The item is reversed on a straight-line basis over time.

NOTES TO THE BALANCE SHEET

FIXED ASSETS

The changes in fixed assets are shown in form of an appendix to the notes (statement of changes in fixed assets).

An overview of the shares in affiliated companies (long-term financial assets) is presented in an appendix to the notes (list of shareholdings).

RECEIVABLES AND OTHER ASSETS

As a rule, receivables and other assets have a remaining term of up to one year. An amount of €56,318 thousand of the receivables from affiliated companies has a term of more than one year. The other receivables from affiliated companies consist of short-term loans and current settlement transactions without contractually fixed terms; they can be terminated at any time at short notice. The repayment of these receivables is made depending on the liquidity situation of the respective affiliated company.

Receivables from affiliated companies include trade receivables in the amount of €89 thousand (previous year: €1,624 thousand).

SUBSCRIBED CAPITAL

On April 10, 2019, GATEWAY placed 16,895,939 new shares from the capital increase announced on March 20, 2019 at a placement price of €4.00 per share within the context of an international private placement with institutional investors, while another 82,610 new shares were offered for subscription to existing shareholders.

This led to an increase in share capital over the prior year by €16,979 thousand to €186,764 (previous year: €169,785 thousand) as of December 31, 2019. It is divided into 186,764,040 no-par-value bearer shares at a notional value of €1.00 per share.

At the Annual General Meeting on August 22, 2018, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital until August 21, 2023, by up to €84,892 thousand against cash contributions and/or contributions in kind; the subscription rights of the existing shareholders may be disapplied (Authorized Capital 2018/I).

At the ordinary Annual General Meeting on August 21, 2019, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital until August 20, 2024, by up to €25,468 thousand against cash contributions and/or contributions in kind; the subscription rights of the existing shareholders may be disapplied (Authorized Capital 2019/I). Accordingly, the Management Board has available authorized capital, together with the still existing Authorized Capital 2018/I, in the amount of the permitted maximum volume of 50 per cent of the Company's share capital (€93,382 thousand).

RESERVES

Reserves amount to €403,347 thousand (previous year: €352,411 thousand) and result from the share premium arising from the capital increases in previous years (€352,411 thousand) as well as from the capital increase on April 10, 2019 (€50,936 thousand).

DISTRIBUTABLE PROFIT/ACCUMULATED LOSS

The reconciliation as required in accordance with Section 158 (1) AktG to the distributable profit is as follows:

—

in €	31.12.2019	31.12.2018
Net income for the fiscal year	116,170,315.65	26,233,393.35
Retained profits/accumulated losses brought forward from the previous year	480,006.00	–6,068,751.24
Transfer to the legal reserve	0	–1,008,232.11
Net retained profit	116,650,321.65	19,156,410.00

PROVISIONS

Other provisions mainly include amounts provided for legal, advisory and audit fees in the amount of €1,268 thousand (previous year: €1,086 thousand), for vacation and bonuses in the amount of €116 thousand (previous year: €15 thousand), for outstanding invoices and contributions to professional associations in the amount of €672 thousand (previous year: €133 thousand), for Supervisory Board remuneration in the amount of €104 thousand (previous year: €0 thousand) as well as for storage costs in the amount of €3 thousand (previous year: €3 thousand).

LIABILITIES

The terms of the liabilities are shown in the following schedule of liabilities:

—

TYPE OF LIABILITY

				31.12.2019
	Total amount	**thereof with a remaining term**		
in € thousand		**< 1 year**	**> 1 year**	**> 5 years**
Bonds	73,810.0 (33,810.0)	0 (0)	73,810.0 (33,810.0)	0 (0)
Trade payables	275.0 (1,583.6)	275.0 (1,583.6)	0 (0)	0 (0)
Liabilities to affiliated companies	18,721.8 (10,290.8)	18,,721.8 (10,290.8)	0 (0)	0 (0)
— thereof trade payables	0 (5,244.2)	0 (0)		
Other liabilities	29,294.1 (50,061.3)	29,294.1 (39,561.3)	0 (10,500.0)	0 (0)
— thereof from taxes	54.3 (791.2)			
Total	**122,100.9** **(95,745.7)**	**48,290.9** **(51,435.7)**	**73,810.0** **(44,310.0)**	**0** **(0)**

Prior-year figures in brackets

NOTES TO THE INCOME STATEMENT

REVENUES

Revenues are fully attributable to domestic intragroup income.

OTHER OPERATING INCOME

In the fiscal year under review, other operating income amounts to €40,841 (previous year: €35,802 thousand). This amount includes gains on disposal of long-term financial assets in the amount of €39,422 thousand and income from cost transfers in the amount of €1,261 thousand. The increase by €5,039 thousand mainly results from higher income from the disposal of long-term financial assets. Moreover, other operating income includes income from the reversal of provisions in the amount of €174 thousand (previous year: €395 thousand).

EMPLOYEE BENEFITS EXPENSE

The employee benefits expense in the fiscal year amounts to €1,863 thousand (previous year: €8,958 thousand). The expense in the previous year was dominated by one-off expenses for severance payments amounting to €7,000 thousand.

OTHER OPERATING EXPENSES

In the fiscal year, advisory, closing and audit fees amount to €8,615 thousand (previous year: €3,433 thousand). The expenses were mainly incurred in connection with the capital increase carried out in the fiscal year and the uplisting to the Prime Standard of the Frankfurt Stock Exchange. Therefore, a part of these expenses will not be incurred on a sustainable basis. Other operating expenses include prior-period expenses in the amount of €90 thousand (previous year: €4 thousand).

INCOME FROM EQUITY INVESTMENTS

Income from equity investments amounts to €72,400 thousand in the year under review (previous year: €0 thousand). This amount refers to preliminary distributions made by two subsidiaries.

GAINS RECEIVED BASED ON A PROFIT TRANSFER AGREEMENT

In the year under review, income resulting from a profit transfer agreement dated November 13, 2019, with Development Partner AG amounts to €13,154 thousand (previous year: €0 thousand).

OTHER DISCLOSURES

OTHER FINANCIAL OBLIGATIONS

The other financial obligations that are significant for assessing the financial position mainly refer to rental payments for business premises. The gross obligations from these agreements as of the reporting date amount to €670 thousand (previous year: €305 thousand).

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of compliance with the German Corporate Governance Code was issued and was made publicly accessible on Gateway Real Estate AG's website.

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

PROPOSAL FOR THE APPROPRIATION OF PROFITS

The Management Board proposes that the net income for the fiscal year of €116,170,315.65 shall be used to distribute an amount of 0.30 € per share, corresponding to €56,029,212.00, and to add the remaining amount of €60,141,103.65 to the profit brought forward from the previous year of €480,006.00 and to carry forward the sum total to new account.

COMMITMENTS AND CONTINGENCIES

From rental guarantees:
In the context of the rental agreement for office space in the object The Squaire, Am Flughafen, 60549 Frankfurt am Main, Gateway Real Estate AG, as tenant, committed to the landlord to provide a rental security deposit in the form of a bank guarantee in the amount of €57 thousand. For this purpose, the guaranteeing bank granted to Gateway Real Estate AG a guarantee credit in the corresponding amount.

All of the following commitments and contingencies refer to affiliated companies.

From guarantees:
For the purposes of financing a property, Gateway Zweite GmbH & Co. KG, Frankfurt am Main, took out a bank loan in the amount of €3,239 thousand. Gateway Real Estate AG has co-liability (*Mithaftung*) towards the bank based on a joint and several liability. Gateway Real Estate AG assumes that Gateway Zweite GmbH & Co. KG is able to meet its obligations from the loan agreement.

Gateway Vierte GmbH, Frankfurt am Main, took out a bank loan in the amount of €6,500 thousand for the purposes of financing a property. Gateway Real Estate AG is liable in this context based on a maximum guarantee in the amount of €3,000 thousand for which the Company is liable as principal debtor (*selbstschuldnerische Höchstbetragsbürgschaft*). Gateway Real Estate AG assumes that Gateway Vierte GmbH is able to meet its obligations from the loan agreement.

For the purposes of financing a property, Gateway Fünfte GmbH, Frankfurt am Main, took out a bank loan in the amount of €13,290 thousand. Gateway Real Estate AG is liable in this context based on a bank guarantee in the amount of €4,100 thousand for which the Company is liable as principal debtor (*selbstschuldnerische Bankbürgschaft*). Gateway Real Estate AG assumes that Gateway Fünfte GmbH is able to meet its obligations from the loan agreement.

For the purposes of financing a property, Projektentwicklung Campus Park München GmbH, Munich, took out a loan in the amount of €55,000 thousand. Gateway Real Estate AG is liable in this context based on a guarantee in the amount of up to a maximum of €990 thousand for which the Company is liable as principal debtor (*selbstschuldnerische Bürgschaft*). Gateway Real Estate AG assumes that Projektentwicklung Campus Park München GmbH is able to meet its obligations from the loan agreement.

For the purposes of financing a property, Projektentwicklung Mediaspree in Berlin GmbH, Berlin, took out a bank loan in the amount of €110,000 thousand. Gateway Real Estate AG is liable in this context based on a bank guarantee in the amount of up to a maximum of €20,500 thousand for which the Company is liable as principal debtor (*selbstschuldnerische Bankbürgschaft*). Gateway Real Estate AG assumes that Projektentwicklung Mediaspree in Berlin GmbH is able to meet its obligations from the loan agreement.

Guarantee facility agreements (e.g. debt servicing guarantee/letters of comfort, warranties etc.):
Augskor 1 GmbH, Augskor 2 GmbH and Augskor 3 GmbH (collectively “Augskor Companies”), Luxembourg, acquired land in Augsburg. Prior to the land purchases, Gateway Real Estate AG issued letters of comfort to the Augskor Companies pursuant to which Gateway Real Estate AG commits to put the Augskor Companies in a position that they are able to meet the obligations resulting from the land purchases.

Development Partner AG, Duesseldorf, acquired a plot of land in Dornach via a wholly-owned subsidiary (Projektentwicklung Campus Park München GmbH). Prior to the land purchase, Gateway Real Estate AG issued a letter of comfort to the land seller, UBM Development Deutschland GmbH, pursuant to which Gateway Real Estate AG commits to put Projektentwicklung Campus Park München GmbH as acquirer in a position that it is able to meet the obligations resulting from the land purchase agreement, including, but not limited to the payment of the purchase price and the payment of incidental acquisition costs.

Development Partner AG, Duesseldorf, acquired a plot of land in Friedrichshain via a wholly-owned subsidiary (Mediaspree in Berlin GmbH). Prior to the land purchase, Gateway Real Estate AG issued a letter of comfort to the land seller, Anschutz Entertainment Group Real Estate GmbH & Co. KG, pursuant to which Gateway Real Estate AG commits to put Mediaspree in Berlin GmbH as acquirer in a position that it is able to meet the obligations resulting from the land purchase agreement, including, but not limited to the payment of the purchase price and the payment of incidental acquisition costs.

SUPERVISORY BOARD

The Company's Supervisory Board consisted of the following members in the fiscal year 2019:

Norbert Ketterer (Chairman of the Supervisory Board), businessman, Wollerau, Switzerland
Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 No. 10 HGB:

- Board of Directors of ACRON AG, Zurich/Switzerland
- Board of Directors of ACRON Fisherman's Wharf Hotel SF AG, San Francisco/USA
- Supervisory Board of CWI Immobilien AG, Leipzig
- Board of Directors of SKE Immobilien Schweiz I AG, Zug/Switzerland
- Board of Directors of HK Real Estate AG, Wollerau/Switzerland
- Board of Directors of Areal Hitzkirch Zug AG, Zug/Switzerland
- Board of Directors of Areal Steinhausen Zug AG, Zug/Switzerland
- Board of Directors of Areal Sursee Zug AG, Zug/Switzerland
- Board of Directors of SNK Property GmbH, Grünwald
- Board of Directors of TOK Invest GmbH, Leipzig

Thomas Kunze (Deputy Chairman of the Supervisory Board), businessman, Leipzig
Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 No. 10 HGB:

- Supervisory Board of Peires AG, Leipzig
- Supervisory Board of CWI Immobilien AG, Leipzig
- Supervisory Board of Development Partner AG, Duesseldorf

Ferdinand von Rom (Member of the Supervisory Board), lawyer, Frankfurt
Based on a motion by the Company's Management Board, the Frankfurt am Main local court appointed Ferdinand von Rom as a member of the Company's Supervisory Board with immediate effect by resolution dated May 4, 2018. The appointment was limited until the end of the next ordinary Annual General Meeting of the Company, i.e. until the end of the Annual General Meeting on August 22, 2018. The re-election to the Supervisory Board was made at the Annual General Meeting on August 22, 2018, when Ferdinand von Rom was confirmed as member of the Supervisory Board.

Ferdinand von Rom has no further supervisory board memberships or memberships on comparable German and foreign supervisory bodies in accordance with Section 285 No. 10 HGB.

Jan Hedding (Member of the Supervisory Board since August 21, 2019), businessman, Zurich/Switzerland
On August 21, 2019, Jan Hedding was elected by the Annual General Meeting of Gateway Real Estate AG as member of the Supervisory Board of the Company with immediate effect.

Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 No. 10 HGB:

- Board of Directors of SN Immobilien Erlangen GmbH, Luxembourg/Luxembourg
- Supervisory Board of Gerchgroup AG, Duesseldorf
- Supervisory Board of Real Estate Portfolio Consulting AG, Horgen/Switzerland
- Supervisory Board of Hereco Holdings AG, Zug/Switzerland
- Supervisory Board of bloxxter AG, Zug/Switzerland
- Supervisory Board of Real Estate Financing AG, Zug/Switzerland
- Supervisory Board of Areal Will Zug AG, Zug/Switzerland
- Supervisory Board of Areal Herzogenbuchsee Zug AG, Zug/Switzerland
- Supervisory Board of unicorn two AG, Zug/Switzerland

Marcellino Graf von und zu Hoensbroech (Member of the Supervisory Board since August 21, 2019), businessman, Horgen/Switzerland
On August 21, 2019, Marcellino Graf von und zu Hoensbroech was elected by the Annual General Meeting of Gateway Real Estate AG as member of the Supervisory Board of the Company with immediate effect.

Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 No. 10 HGB:

- Supervisory Board of South Shore Investments LDA, Lisbon/Portugal
- Supervisory Board of Sunrise Properties Ltd, London/United Kingdom
- Supervisory Board of DNK Invest AG, Zug/Switzerland
- Supervisory Board of BB Beteiligungen AG, Wollerau/Switzerland
- Supervisory Board of PTS Master AG Schweiz, Wollerau/Switzerland
- Supervisory Board of Luxemburg Capital Value AG, Luxembourg/Luxembourg
- Supervisory Board of Alpha Industrial Holding AG, Luxembourg/Luxembourg
- Supervisory Board of Shanghai Investment Trust AG, Luxembourg/Luxembourg
- Supervisory Board of Splendidestiny LDA, Lisbon/Portugal
- Supervisory Board of LBP Luxco S.à r.l., Luxembourg/Luxembourg
- Supervisory Board of Urban Power SL, Barcelona/Spain
- Supervisory Board of Marlin Housing Investments SL, Barcelona/Spain

- Supervisory Board of Parklane Zug AG, Zug/Switzerland
- Supervisory Board of Objektgesellschaft an der Trift mbH, Oberhausen

The Supervisory Board members received a remuneration of €104 thousand for the past fiscal year.

MEMBERS OF THE MANAGEMENT BOARD

The Management Board consisted of the following members in the past fiscal year 2019:

Manfred Hillenbrand, Chief Executive Officer (CEO), Dreieich
Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 No. 10 HGB:

- Managing Director of Allima Grundstücksverwaltung GmbH, Frankfurt am Main
- Managing Director of Felix Projekt und Verwaltungs GmbH, Stuttgart
- Managing Director of Park Lane Asset Management GmbH, Frankfurt am Main
- Managing Director of Park Lane Capital Manager GmbH, Dreieich
- Managing Director of Park Lane Grundvermögen GmbH, Frankfurt am Main
- Managing Director of Park Lane Immobilien GmbH, Frankfurt am Main
- Managing Director of Park Lane Verwaltungs GmbH, Frankfurt am Main
- Managing Director of Projektentwicklungsgesellschaft Kölner Straße mbH, Frankfurt am Main
- Managing Director of Waterfront Grundbesitz GmbH, Stuttgart
- Managing Director of Westgate Entwicklungs GmbH, Stuttgart

Tobias Meibom, Chief Financial Officer (CFO), Hamburg
Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 No. 10 HGB:

- Supervisory Board of SYSback AG, Hamburg
- Supervisory Board of Copeca GmbH, Hamburg

The members of the Management Board received the following remuneration in the past fiscal year:

—

in € thousand	Manfred Hillenbrand Chief Executive Officer (CEO)	Tobias Meibom Chief Financial Officer (CFO)
Fixed remuneration	480	480
Fringe benefits	31	33
Total	**511**	**513**
Expenses for pensions	7	7
Total remuneration	**518**	**520**

EMPLOYEES

In the past fiscal year, the Company employed five salaried employees (previous year: six) on average, in addition to the members of the Management Board.

CONSOLIDATED FINANCIAL STATEMENTS

Gateway Real Estate AG, as the parent company, prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). This is, at the same time, the smallest and the largest group of consolidated companies in which the Company is included. The consolidated financial statements also include disclosures regarding the fees for the auditor.

INTERESTS REPORTED IN ACCORDANCE WITH SECTION 20 AKTG

HPI Helvetic Private Investments AG, Wollerau, Switzerland, notified the Company by a letter dated September 13, 2011, received on September 15, 2011, that it held a majority in the Company in accordance with Section 20 (4) AktG. By another letter dated June 21, 2016, HPI notified us that it no longer held a majority in the Company in accordance with Section 20 (5) AktG. Accordingly, there was no longer a dependent relationship with HPI in the fiscal year 2017.

SN Beteiligungen Holding AG, Switzerland, notified us in accordance with Section 20 (1) and (3) AktG on October 12, 2018, that it directly holds more than one fourth of the shares in Gateway Real Estate AG. In addition, the company notified us pursuant to Section 20 (4) AktG that it directly owns a majority in Gateway Real Estate AG.

Norbert Ketterer, Switzerland, notified us pursuant to Section 20 (1) AktG that he indirectly owns more than one fourth of the shares in Gateway Real Estate AG since the interest held by SN Beteiligungen Holding AG in Gateway Real Estate AG can be attributed to him in accordance with Section 16 (4) AktG. In addition, he notified us pursuant to Section 20 (4) AktG that it indirectly owns a majority of the shares in Gateway Real Estate AG since the interest held by SN Beteiligungen Holding AG in Gateway Real Estate AG can be attributed to him in accordance with Section 16 (4) AktG.

Sandra Ketterer, Switzerland, notified us in accordance with Section 20 (1) and (5) AktG that she no longer holds more than one fourth of the shares in Gateway Real Estate AG. In addition, she notified us pursuant to Section 20 (4) and (5) AktG that she no longer owns a majority in Gateway Real Estate AG.

REPORT ON EVENTS AFTER THE REPORTING DATE

By a letter dated March 16, 2020, one member of the Supervisory Board, Marcellino Graf von und zu Hoensbroech, resigned from his office on the Supervisory Board with effect from April 30, 2020.

In March 2020, in the wake of the globally-spreading coronavirus pandemic, GATEWAY initiated a number of measures to protect its employees and to limit the risk for GATEWAY's business activities. In order to contain the novel virus, which is spreading at a fast pace in Europe and also in Germany as of the preparation of this report, the German authorities pursue a strategy that focuses on restricting social contacts and on reducing travelling (even within Germany). Therefore, GATEWAY has advised its employees since March 16, 2020, to cancel business travels and meetings that are not absolutely necessary and to hold such meetings via videotelephony, conference calls or online meetings. This was also communicated to GATEWAY's customers and business partners. Since GATEWAY had in place the technical infrastructure for home office (telecommuting) already before the outbreak of the coronavirus pandemic, this was implemented very quickly and without any larger inefficiencies. Therefore, a major portion of GATEWAY's staff has been working from home since March 16, 2020. An even more intense, regular dialogue about current market developments and about the current risk assessment is maintained with important service providers, such as at the construction sites of GATEWAY's projects, as well as with the Company's investors. GATEWAY has not identified any material effects on our financial position, cash flows and financial performance, or even effects that could threaten the Company's continued existence. In this context, we refer to our statements in the management report in the sections "Report on expected developments" and "Report on risks and opportunities".

Frankfurt am Main, March 27, 2020

Gateway Real Estate AG
The Management Board

Manfred Hillenbrand   Tobias Meibom

STATEMENT OF CHANGES IN FIXED ASSETS

FROM JANUARY 1 TO DECEMBER 31, 2019

	Acquisition/production costs				
in €	01.01.2019	Additions	Disposals	Transfers	31.12.2019
I. Intangible assets					
Purchased concessions, industrial rights and similar rights and assets, as well as licenses in such rights and assets	9,126.63				9,126.63
Intangible assets	**9,126.63**				**9,126.63**
II. Tangible fixed assets					
Other equipment, operating and office equipment	363,928.58	8,878.93			372,807.51
Tangible fixed assets	**363,928.58**	**8,878.93**			**372,807.51**
III. Long-term financial assets					
1. Shares in affiliated companies	508,391,207.45	8,940,933.25	82,957,144.55	73,935,235.05	508,310,231.20
2. Loans to affiliated companies	92,897,967.62	3,590,000.00	11,248,836.79	73,935,235.05	11,303,895.78
3. Equity investments	733,337.11		14,425.96		718,911.15
Long-term financial assets	**602,022,512.18**	**12,530,933.25**	**94,220,407.30**		**520,333,038.13**
	602,395,567.39	**12,539,812.18**	**94,220,407.30**		**520,714,972.27**

Depreciation and amotization				Book value	
01.01.2019	Additions	Disposals	Accumulated amortization, depreciation and impairment	31.12.2019	01.01.2019
9,126.63			9,126.63	0.00	0.00
9,126.63			**9,126.63**	**0.00**	**0.00**
235,339.58	36,682.93		272,022.51	100,785.00	128,589.00
235,339.58	**36,682.93**		**272,022.51**	**100,785.00**	**128,589.00**
1,074,275.00			1,074,275.00	507,235,956.20	507,316,932.45
				11,303,895.78	92,897,967.62
676,464.63			676,464.63	42,446.52	56,872.48
1,750,739.63			**1,750,739.63**	**518,582,298.50**	**600,271,772.55**
1,995,205.84	**36,682.93**		**2,031,888.77**	**518,683,083.50**	**600,400,361.55**

SHAREHOLDINGS

—

No	Company	Registered office	Ownership interest in %	Equity 31.12.2019 in € thousand	Net profit for the year 2019 in € thousand
1.	Gateway Asset Mangament GmbH	Eschborn	100.00	790	312
2.	ABK Wohnraum GmbH & Co. KG	Leipzig	94.50		
3.	Gateway Zweite GmbH & Co. KG	Frankfurt a. M.	100.00	–15	88
4.	Gateway Vierte GmbH	Frankfurt a. M.	94.90	54	–493
5.	Gateway Fünfte GmbH	Frankfurt a. M.	94.90	–3,611	–3,774
6.	Gateway Siebte GmbH	Frankfurt a. M.	100.00	14	–5
7.	Gateway Achte GmbH	Frankfurt a. M.	100.00	1,334	–372
8.	Gateway Neunte GmbH	Frankfurt a. M.	100.00	232	200
9.	Gateway Elfte GmbH	Frankfurt a. M.	94.00	362	1,278
10.	Gateway Siebzehnte GmbH (formerly: Gateway Erste Verwaltungsgesellschaft mbH)	Eschborn	100.00	13	–10
11.	Gateway Achtzehnte GmbH (formerly: Gateway Fünfzehnte Verwaltungsgesellschaft mbH)	Eschborn	100.00	19	–4
12.	GATEWAY Betriebsvorrichtungen – Dienstleistungen – Marketing GmbH	Frankfurt a.M.	100.00	–58	–59
13.	Duisburg EKZ 20 Objekt GmbH	Berlin	50.00	–385	–339
14.	GAMWAY Holding GmbH (i.L.)	Berlin	50.00		
15.	GAM Retail Portfolio Holding GmbH	Berlin	42.15		
16.	RETAIL PORTFOLIO TEILESTRASSE OBJEKT UG	Berlin	40.00		
17.	Retail Portfolio Wittenauer Straße Objekt UG	Berlin	40.00		
18.	Retail Portfolio Bremerhaven Objekt UG	Berlin	40.00		
19.	Development Partner AG[2]	Duesseldorf	100.00	30,219	0
20.	Gateway Residential GmbH (formerly: Development Partner Residental GmbH)	Frankfurt a. M.	100.00	17,996	82,814
21.	MUC Airport Living GmbH	Munich	90.00	–123	–42

The disclosures on the subsidiaries are based on preliminary financial statements of the respective company.

Indirect interest held in No. 7:

	Company	Registered office	Ownership interest in %	Equity 31.12.2019 in € thousand	Net profit for the year 2019 in € thousand
	GTY 1te Bochum GmbH & Co. KG	Eschborn	100.00	422	–2.181
	GTY 1te Siegen GmbH & Co. KG	Eschborn	100.00	–138	–3,124
	GTY 1te Düsseldorf GmbH & Co. KG	Eschborn	100.00	179	–1,526
	GTY Betriebsvorrichtung GmbH	Eschborn	100.00	58	–9

Indirect interest held in No. 8:

	Company	Registered office	Ownership interest in %	Equity 31.12.2019 in € thousand	Net profit for the year 2019 in € thousand
	Revaler Straße 32 PE GmbH	Berlin	51.00	–216	–241
	Storkower Straße 140 PE GmbH	Berlin	51.00	1	–24
	Storkower Straße 142–146 PE GmbH & Co. KG	Berlin	51.00	–915	–246
	Storkower Straße 142–146 Verwaltung GmbH	Berlin	51.00	22	–3
	Augskor 1 GmbH (S.à r.l.)	Luxembourg	100.00	3	–9
	Augskor 2 GmbH (S.à r.l.)	Luxembourg	100.00	–9	–21
	Augskor 3 GmbH (S.à r.l.)	Luxembourg	100.00	–4	–16
	SKE Immo Sulzbach GmbH (S.à r.l.)	Luxembourg	100.00	13	–111

Indirect interest held in No. 19:

	Company	Registered office	Ownership interest in %	Equity 31.12.2019 in € thousand	Net profit for the year 2019 in € thousand
	Projektentwicklung Kranhaus im Rheinauhafen Köln GmbH	Duesseldorf	100.00	178	6
	Projektentwicklung Kassel GmbH	Duesseldorf	100.00	25	0
	Projektentwicklung Große Bockenheimer Straße in Frankfurt am Main GmbH	Duesseldorf	100.00	25	0
	Projektentwicklung Brotstraße in Trier GmbH	Duesseldorf	94.00	399	–48
	Immobilienbeteiligungs-Verwaltungsgesellschaft am Kennedydamm in Düsseldorf mbH (i.L.)	Duesseldorf	100.00	2	–3
	Projektgesellschaft Wohnen an der Neuenhöfer Allee in Köln GmbH & Co. KG	Duesseldorf	90.00	–158	–22
	Projektentwicklung in Düsseldorf Beteiligungsgesellschaft mbH & Co. KG	Duesseldorf	80.00	322	–5
	Projektentwicklung Schloßstraße in Berlin GmbH	Duesseldorf	100.00	66	–7
	Projektentwicklung Venloer Straße in Köln Beteiligungsgesellschaft mbH[1]	Duesseldorf	100.00	171	322
	Projektentwicklung Venloer Straße in Köln S.à r.l.	Luxembourg	20.00	9,903	38,904
	Projektentwicklung Am Barmbecker Bahnhof in Hamburg Beteiligungs-Verwaltungsgesellschaft mbH	Duesseldorf	100.00	18	–1
	Projektentwicklung Am Barmbeker Bahnhof in Hamburg Beteiligungsgesellschaft mbH & Co. KG	Duesseldorf	75.00		
	Projektentwicklung Am Barmbeker Bahnhof in Hamburg GmbH	Duesseldorf	40.00	–2,711	–660
	Immobiliengesellschaft Hutfiltern in Braunschweig GmbH	Duesseldorf	60.00	7,603	–820
	Projektentwicklung Rudolfplatz in Köln GmbH[2]	Duesseldorf	94.00	3,360	7,003
	Projektentwicklung Weender Straße in Göttingen GmbH & Co. KG	Duesseldorf	20.50	–744	–59
	Projektentwicklung Weender Straße in Göttingen Verwaltungsgesellschaft mbH	Duesseldorf	50.00		
	Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden Beteiligungs-Verwaltungsgesellschaft mbH	Duesseldorf	100.00	21	–1
	Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden Beteiligungsgesellschaft mbH & Co. KG	Duesseldorf	60.00	6,531	18,199
	Projektentwicklung Uerdinger Straße in Düsseldorf Residential GmbH[2]	Duesseldorf	94.00	–348	–49
	Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH[2]	Duesseldorf	94.00	–1,814	–359
	Immobiliengesellschaft Am Kennedydamm in Düsseldorf mbH	Duesseldorf	94.00	–7,380	–2,371
	Projektentwicklung Europaallee in Frankfurt GmbH	Duesseldorf	100.00		
	Projektentwicklung Breite Gasse in Nürnberg GmbH[2]	Duesseldorf	94.00	–2,949	–668
	Projektentwicklung Michaelkirchstraße in Berlin Beteiligungsgesellschaft mbH	Duesseldorf	100.00	–11,715	–5,938
	Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH	Duesseldorf	94.00	3,709	3,891
	Projektentwicklung Mediaspree in Berlin GmbH	Duesseldorf	94.90	–78	–103
	Projektentwicklung Campus Park München GmbH	Duesseldorf	94.90	–109	–135
	Projektentwicklung Michaelkirchstraße in Berlin GmbH	Duesseldorf	94.90	348	–259
	Projektentwicklung Technologiecampus Großraum Stuttgart GmbH	Duesseldorf	94.90	–4,082	–4,104
	Movingstairs GmbH	Kitzbühel/Austria	90.00	39	–10
	Gewerbepark Neufahrn Projektentwicklungs-GmbH	Kitzbühel/Austria	100.00	–38	–8
	Projektentwicklung Große Packhofstraße in Hannover GmbH	Duesseldorf	40.00		
	Projektentwicklung Airgate in Düsseldorf Verwaltungsgesellschaft mbH	Duesseldorf	100.00		

Projektentwicklung Airgate in Düsseldorf GmbH & Co. KG	Duesseldorf	50.00		
Projektentwicklung Schadowstraße in Düsseldorf Verwaltungsgesellschaft mbH	Duesseldorf	100.00		
Projektentwicklung Schadowstraße in Düsseldorf GmbH & Co. KG	Duesseldorf	30.00		
Projektentwicklung Fürstenrieder Straße in München GmbH	Duesseldorf	22.50		
Projektentwicklung Tegernseer Landstraße in München GmbH	Duesseldorf	22.50		
Projektentwicklung Am Schauspielhaus in Düsseldorf Verwaltungsgesellschaft mbH	Duesseldorf	50.00		
Projektentwicklung Am Schauspielhaus in Düsseldorf GmbH & Co. KG	Duesseldorf	6.00		
Projektentwicklung Schirmständerhaus in Berlin GmbH	Duesseldorf	50.00		
Verwaltungsgesellschaft Wohnen an der Neuenhöfer Allee in Köln mbH	Duesseldorf	100.00		
Projektentwicklung in Düsseldorf Beteiligungs-Verwaltungsgesellschaft mbH	Duesseldorf	100.00		
Projektentwicklung KÖLNCUBUS Beteiligungsgesellschaft mbH & Co. KG	Duesseldorf	50.00		
Projektentwicklung KÖLNCUBUS Beteiligungs-Verwaltungsgesellschaft mbH	Duesseldorf	100.00		
Projektentwicklung KÖLNCUBUS Verwaltungsgesellschaft mbH	Duesseldorf	50.00		
Projektentwicklung KÖLNCUBUS GmbH & Co. KG	Duesseldorf	50.00		
DEVELOPMENT PARTNER Immobilien Consulting GmbH	Duesseldorf	100.00		
Objekt Bonn 1101 Verwaltungsgesellschaft mbH	Duesseldorf	25.00		
Objektgesellschaft Bonn 1101 mbH & Co. KG	Duesseldorf	10.00		
Projektentwicklung Friedrichstraße in Düsseldorf GmbH	Duesseldorf	100.00		
Projektentwicklung Speditionstraße in Düsseldorf GmbH	Duesseldorf	100.00		
Projektentwicklung Kaistraße in Düsseldorf GmbH	Duesseldorf	100.00		
Projektentwicklung Marktplatz in Düsseldorf GmbH	Duesseldorf	100.00		
Projektentwicklung Baierbrunner Straße in München GmbH	Duesseldorf	100.00		
Projektentwicklung Damm GmbH (i.L.)	Duesseldorf	30.00		
Projektentwicklung Rotkreuzplatz in München GmbH (i.L.)	Duesseldorf	25.00		
Projektentwicklung Wilmersdorfer Straße in Berlin GmbH & Co. KG	Duesseldorf	75.00		
Projektentwicklung Wilmersdorfer Straße in Berlin Verwaltungsgesellschaft (i.L.)	Duesseldorf	100.00		
Projektentwicklung Hofgartengarage in Düsseldorf Verwaltungsgesellschaft mbH (i.L.)	Duesseldorf	50.00		
Projektentwicklung Joachimstaler Straße in Berlin GmbH (i.L.)	Duesseldorf	100.00		
Indirect interest held in No. 20:				
Projektentwicklung Taunusstr. 52–60 in Frankfurt GmbH	Duesseldorf	11.00		
Beteiligungsgesellschaft Berlin-Heinersdorf 18 GmbH	Berlin	90.00	–132	–9
Objekt Heinersdorf in Berlin GmbH	Munich	100.00	22	–5
Gateway SoHo Sullivan GmbH & Co. KG	Frankfurt a. M.	90.00	–271	–265
Gateway SoHo Sullivan Verwaltungs GmbH	Frankfurt a. M.	100.00	20	–5
S1 Rialto Quartier GmbH	Frankfurt a. M.	100.00	–1,187	–633
S2 Cliffhanger GmbH	Frankfurt a. M.	100.00	–3	–8
S3 Forum Sullivan GmbH	Frankfurt a. M.	100.00	–2	–8
S4 De Gregori Quartier GmbH	Frankfurt a. M.	100.00	–2	–8
S5 Dalla Quartier GmbH	Frankfurt a. M.	100.00	–3	–8
S7 Curve Quartier GmbH	Frankfurt a. M.	100.00	–5	–6
S0 SoHo Sullivan GmbH & Co. KG	Frankfurt a. M.	50.00		
S9 Casino Quartier GmbH & Co. KG	Frankfurt a. M.	100.00	–5	–6
S6 Park Lane GmbH & Co. KG	Frankfurt a. M.	100.00	–8	–9
S8 Chelsea Quartier GmbH & Co. KG	Frankfurt a. M.	100.00	–7	–7
S11 Piazza GmbH & Co. KG	Frankfurt a. M.	100.00	–5	–7
S12 Sound & Vision GmbH & Co. KG	Frankfurt a. M.	100.00	–5	–6

[1] Projektentwicklung Venloer Straße in Köln Beteiligungsgesellschaft mbH: The net profit for the year includes the (interim) distribution in the amount of €7 million

[2] The net profit for the year in the amount of €13,154 thousand was transferred to Gateway Real Estate AG pursuant to the control and profit and loss transfer agreement entered into on November 13, 2019 (registration in the company register: November 25, 2019).

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the 2019 financial statements of Gateway Real Estate AG, Frankfurt am Main, give a true and fair view of the assets, liabilities, financial position and results of operations of the Company, and the management report of the Company includes a fair view of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Frankfurt am Main, March 27, 2020

Gateway Real Estate AG
The Management Board

Manfred Hillenbrand   Tobias Meibom

INDEPENDENT AUDITOR'S REPORT

Note: This is a convenience translation of the German original. Solely the original text in the German language is authoritative.

To Gateway Real Estate AG, Frankfurt am Main

Report on the audit of the annual financial statements and management report

AUDIT OPINIONS

We have audited the annual financial statements of Gateway Real Estate AG, Frankfurt am Main, which comprise the statement of financial position as at 31 December 2019, the statement of profit and loss for the financial year from 1 January 2019 to 31 December 2019, and notes to the annual financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Gateway Real Estate AG, Frankfurt am Main for the financial year from 1 January 2019 to 31 December 2019. In accordance with German legal requirements, we have not audited the contents of the section 1.3 "Corporate Governance Statement" in the management report, which refers to the Corporate Governance Report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of the German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities, and financial position of the Company as at 31 December 2019, and of its financial performance for the financial year from 1 January 2019 to 31 December 2019 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material aspects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the contents of the aforementioned parts of the 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 annual financial statements and the management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the 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 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 annual financial statements and of the management report" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the annual 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 matter presented below was the most significant as part of our audit:

Impairment of shares in affiliated companies

REASONS FOR DESIGNATION AS A KEY AUDIT MATTER

The Company's annual financial statements as of 31 December 2019, include shares in affiliated companies amounting to €507.2 million, or 61 per cent of the total assets. The impairment of shares in affiliated companies is complex and is based on a number of factors associated with the exercise of discretion and, in some cases, considerable uncertainties. The legal representatives of the company perform a valuation based on a discounted cash flow approach to determine a possible need for impairment depending on the development and situation of the company concerned. The valuation is based on assumptions involving estimates and discretionary scope. The key assumptions on which the determination of a possible impairment of shares in affiliated companies is based on, relate to the expected future income from the sale of properties, the conditions under which new property projects can be acquired and developed, including the expected margin of these projects, and the discount rates used. In view of its significance for the net assets and results of operations of Gateway Real Estate AG, this matter was of particular importance in the course of our audit.

OUR AUDIT APPROACH

Our audit procedures include, as a first step, obtaining an understanding of the process steps and the internal controls implemented for the impairment testing of financial assets. We also assessed whether the assumptions underlying the planning are appropriate. For this purpose, we compared the expected future cash flows with the planning approved by the Supervisory Board for a selection of shareholdings in affiliated companies based on quantitative and risk-oriented criteria and analyzed the economic development to date. In addition, we satisfied ourselves of the company's planning reliability by retrospectively comparing project plans from previous years with the actual values that actually occurred. The assumptions and parameters used to determine the discount rate applied, in particular the market risk premium and beta factor, were assessed by us with the involvement of our specialists. We have reproduced the calculation method of the impairment test and, with the involvement of our specialists from the Transaction & Valuation Services department, have examined it for appropriateness. We also conducted sensitivity analyses in order to estimate a possible impairment risk in the event of a possible change in significant assumptions.

REFERENCE TO RELATED DISCLOSURES IN THE NOTES

With regard to the accounting policies applied regarding shares in affiliated companies, we refer to the disclosures in the notes to the annual financial statements in the sections "Accounting policies" and the list of shareholdings in the appendix to the notes.

OTHER INFORMATION

The Management and Supervisory boards are responsible for the other information. The other information comprises:

— the statement on corporate governance in accordance with Section 289f HGB, to which reference is made in section 1.3 "Corporate Governance Statement" in the management report,

— the Corporate governance report in accordance with No. 3.10 of the German Corporate Governance Code, to which reference is made in the section 1.3 "Corporate Governance Statement" in the management report,

— the confirmation pursuant to Section 264 (2) sentence 3 HGB regarding the annual financial statements and the confirmation pursuant to Section 289 (1) sentence 5 HGB regarding the management report.

Our audit opinions on the annual financial statements and on the 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 other information and, in so doing, to consider whether the other information

— is materially inconsistent with the annual financial statements, with the 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 ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

The Management Board members are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Company. In addition, the Management Board members are responsible for such internal controls as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the Management Board members are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the Management Board members are responsible for the preparation of the management report which, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 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 management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and is consistent in all material respects with the annual 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 annual financial statements and on the 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 annual financial statements and this 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 annual financial statements and the 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 annual financial statements, and of arrangements and measures (systems) relevant to the audit of the 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 Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern.

— evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in such a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with the German legally required accounting principles.

— evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

— perform audit procedures on the prospective information presented by the Management Board members in the 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 in-formation 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 annual financial statements of the current period and are therefore the 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

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 20 January 2020. We were engaged by the Supervisory Board on 20 January 2020. We have been the auditor of the annual financial statements of Gateway Real Estate AG, Frankfurt am Main 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, March 27, 2020

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Landgraf	Wellhöfer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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