CONSOLIDATED FINANCIAL STATEMENTS 2020

GATEWAY
REAL ESTATE

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GATEWAY REAL ESTATE AG 2020

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MANAGEMENT REPORT OF GATEWAY REAL ESTATE AG

1. FUNDAMENTAL INFORMATION ON THE COMPANY

GATEWAY conducts 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.

1.1 BUSINESS MODEL

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

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

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

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

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

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

EMPLOYEES

In the past fiscal year, the Company employed on average 12 salaried employees (previous year: five) and two Management Board members (previous year: two).

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

1.2 MANAGEMENT SYSTEM

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

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

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

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

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

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

FINANCIAL PERFORMANCE INDICATORS

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

On Company level, the Management Board uses the indicator EBT (earnings before taxes) for managing, and measuring the performance of, the Company.

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

1.3 CORPORATE GOVERNANCE STATEMENT

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

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

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

2. REPORT ON ECONOMIC POSITION

2.1 GENERAL STATEMENT ON THE REPORT ON ECONOMIC POSITION

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

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

2.2 ECONOMIC FRAMEWORK

2.2.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

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

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

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

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

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

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

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

2.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2.4 DEVELOPMENT OF REAL ESTATE MARKETS

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

Office market

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

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

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

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

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

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

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DEVELOPMENT OF THE VACANCY RATE ON THE A CITIES OFFICE MARKET

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

Source: JLL

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

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

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DEVELOPMENT OF THE PRIME RENTS ON THE A CITIES OFFICE MARKET

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

Source: JLL

Retail market

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

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

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

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

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DEVELOPMENT OF PRIME RETAIL RENTS IN A CITIES

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

Source: JLL

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

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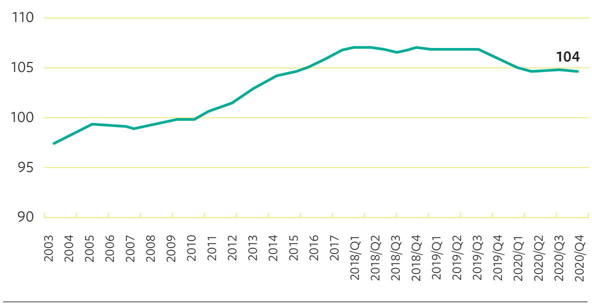
INDEXED DEVELOPMENT OF NEW CONTRACT RENTS FOR RETAIL PROPERTIES IN GERMANY



Source: vdpResearch (index: 2010 = 100)

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

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

Residential real estate market

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

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

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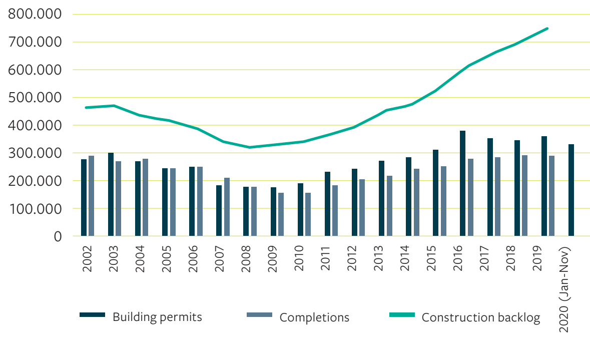
DEVELOPMENT OF BUILDING PERMITS, COMPLETIONS AND CONSTRUCTION BACKLOG IN GERMANY



Source: Federal Statistical Office (Genesis)

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

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

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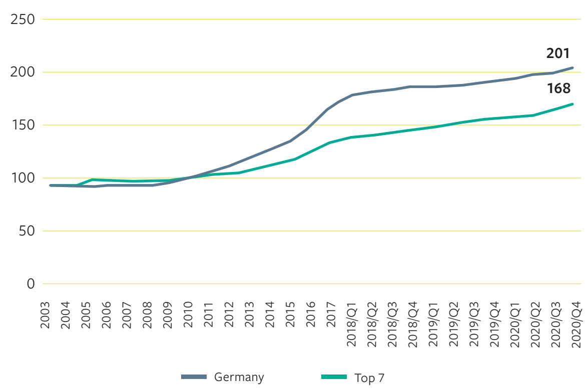
INDEXED DEVELOPMENT OF PRICES FOR OWNER-OCCUPIED HOUSING IN GERMANY AND THE A CITIES



Source: vdpResearch, (index 2010 = 100)

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

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

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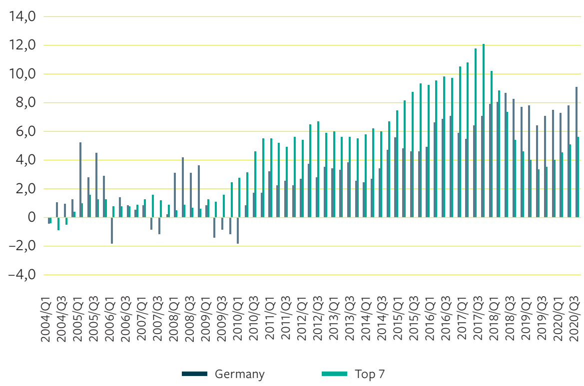
ANNUAL PRICE CHANGE FOR OWNER-OCCUPIED HOUSING IN GERMANY AND THE A CITIES (DEVELOPMENT COMPARED TO THE SAME QUARTER OF THE PREVIOUS YEAR IN PER CENT)



Source: vdpResearch

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

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

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

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

Source: Savills

2.2.5 COMPETITIVE SITUATION AND MARKET POSITION OF THE GROUP

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

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

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

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

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

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

2.3 BUSINESS DEVELOPMENT

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

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

As a result of this changed corporate strategy, the shares in Development Partner AG and hence the Commercial Properties Development segment was sold based on an agreement dated February 3, 2021. The discontinuation of this segment led to a write-down of the carrying amount of the investment in the amount of €407.2 million. In this context, we refer to our explanations in the notes in connection with the write-downs of long-term financial assets and with the events after the balance sheet date.

2.4 FINANCIAL PERFORMANCE, FINANCIAL POSITION AND 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	2020	2019	Change in result
Operating profit/loss			
Revenue	0.9	0.1	0.8
Own work capitalized	0.1	0.0	0.1
Other operating income	0.2	40.8	–40.6
Raw materials and consumables used	–0.6	0.0	–0.6
Employee benefits expense	–2.6	–1.9	–0.7
Amortization, depreciation and write-downs	–1.8	–0.1	–1.7
Other operating expenses	–4.6	–10.9	6.3
	–8.4	**28.0**	**–36.4**
Net finance income			
Income from equity investments	17.1	72.4	–55.3
Income from profit transfer agreements	6.6	13.2	–6.6
Write-downs of long-term financial assets	–407.2	0	–407.2
Finance income	11.2	5.7	5.6
Finance costs	–6.3	–3.1	–3.2
	–378.5	**88.2**	**–466.7**
Profit/loss of the Company			
Operating profit/loss	–8.4	28.0	–36.4
Net finance income	–378.5	88.2	–466.7
Net profit/loss for the year	**–386.9**	**116.2**	**–503.1**

Revenue in the amount of €0.9 million (previous year: €0.1 million) mainly refers to intragroup cost allocations for Group companies. The increase compared to the prior year results from services provided by the Company and charged to affiliated companies.

In the context of the implementation of software, personnel expenses of €0.1 million were recognized as own work capitalized and reported in the item “Intangible assets”.

The significant decrease of other operating income by €40.6 million to €0.2 million results from gains generated in the previous year from the sale of shares in affiliated companies and equity investments in the amount of €39.4 million as well as from 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 reporting period, this item primarily includes reversals of provisions.

Employee benefits expense increased by €–0.7 million to €–2.6 million mainly due to new hires.

In addition, a write-down in relation to other receivables was recorded in the amount of €–1.7 million due to an expected permanent impairment. This resulted in a significant increase of the item “Amortization, depreciation and write-downs” from €–0.1 million to €–1.8 million.

In the reporting period, other operating expenses decreased considerably from €–10.9 million by €6.3 million to €–4.6 million. In the previous year, a negative impact primarily came from 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). Moreover, there were higher administrative, legal and consulting expenses as well as costs for financial statements and audit fees, which primarily are connected with the IPO.

The operating loss amounted to €–8.4 million, after an operating profit of €28.0 million in the prior year. The significant decline over the previous year mainly results from prior-year gains from the disposal of shares in affiliated companies and equity investments. This was partially offset by other operating expenses where legal and consulting expenses as well as audit fees were reduced considerably.

Net finance income amounted to €378.5 million in the reporting year (previous year: €88.2 million). The sharp decline mainly results from the impairment recorded in relation to the carrying amount of the investments in Development Partner AG. As a result of the disposal of the shares in the subsidiary Development Partner AG in February 2021, as explained in the report on events after the reporting date, an impairment was identified in relation to the carrying amount of the equity investment of €501.9 million; the related write-down of €–407.2 million to the agreed purchase price of €94.7 million was recognized through profit or loss.
Other negative effects came from lower investment income from one of the subsidiaries in the amount of €17.1 million (previous year: €72.4 million) as well as reduced income generated from a profit transfer agreement with Development Partner AG in the amount of €6.6 million (previous year: €13.2

million). In contrast, finance income rose in comparison with the previous year due to the higher volume of loan receivables from affiliated companies for project and property financing. In the reporting period, finance costs rose by €–3.2 million, due to the conclusion of a financing agreement and the drawdown of another bond tranche.

Earnings after income taxes amount to €–386.9 million, representing a decrease by €503.1 million compared to the previous year (€116.2 million).

2.4.2 FINANCIAL POSITION

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

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in € million	2020	2019	Change
Assets			
Intangible assets	0.3	0	0.3
Tangible fixed assets	0.1	0.1	0
Long-term financial assets	111.9	518.6	–406.7
Medium and long-term assets	**112.3**	**518.7**	**–406.4**
Intragroup receivables	328.1	139.9	188.2
Cash and cash equivalents	7.8	164.8	–157.0
Other assets	16.4	8.6	7.8
Current assets	**352.3**	**313.3**	**39.0**
	464.6	**832.0**	**–367.4**
Capital			
Share capital	186.8	186.8	0
Reserves	38.0	404.3	–366.3
Net retained profit	40.0	116.7	–76.7
Equity	**264.8**	**707.8**	**–443.0**
Bonds	100.0	73.8	–26.2
Liabilities to banks	42.4	0	–42.4
Medium and long-term debt	**142.4**	**73.8**	**–68.6**
Trade payables	0.5	0.3	0.2
Intragroup liabilities	5.7	18.7	–13.0
Provisions	1.5	2.1	–0.6
Other liabilities	49.6	29.3	–20.3
Short-term debt	**57.4**	**50.4**	**–7.0**
	464.6	**832.0**	**–367.4**

GATEWAY's total assets decreased by €367.4 million or 44.2% to €464.6 million as of December 31, 2020. In terms of assets, this decline is largely due to the substantial reduction of long-term financial assets as a result of the impairment recognized in relation to the carrying amount of the investment in Development Partner AG by €407.2 million, as described in the financial performance section.

In contrast, current assets grew by a total of €39.0 million to €352.3 million. This increase results from the loans granted to affiliated project-specific property companies. Accordingly, intragroup receivables rose by €188.2 million. At the same time, cash and cash equivalents declined by €157.0 million to €7.8 million. The reasons for this development are detailed in the section on cash flows (see 3.3).

In the year under review, the Company granted a loan in the amount of €8.2 million to an equity investment which led to an increase in other assets.

Equity decreased by €443.0 million to €264.8 million as a result of the net loss incurred for the year (€–386.9 million) and the dividend payment (€56.0 million). GATEWAY's equity ratio declined from 85.0% in the previous year to 57.0%.

Medium and long-term debt comprises the bonds which increased by €26.2 million to €100.0 million as a result of the drawdown of the 6th tranche. Moreover, a loan agreement was entered into for one project financing, and liabilities in the amount of €42.4 million were recognized. The financing relates to projects of subsidiaries and was passed through to these subsidiaries.

Short-term debt increased by €6.9 million, which is attributable to repayments of intragroup liabilities in the amount of €13.0 million. This was contrasted by the development of the other liabilities which rose as a result of a loan granted for a project purchase in the amount of €48.2 million. The loan was also passed through to the affiliated company. At the same time, loans in the amount of €35.9 million were repaid.

2.4.3 CASH FLOWS

The cash flows of Gateway Real Estate AG are presented in the following table in comparison with the previous year:

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in € million	2020	2019	Change
Net profit/(loss) for the year	–386.9	116.2	–503.1
Increase/(decrease) in provisions	–0.7	0.9	–1.6
Gains/(losses) on the disposal of tangible fixed assets and long-term financial assets	408.1	–39.4	447.5
Increase in intragroup receivables	–165.2	–59.7	–105.5
Increase in other assets	0.3	–6.5	6.8
Decrease in intragroup liabilities	–3.1	–62.1	59.0
Decrease in other liabilities	–1.6	–2.7	1.1
Income taxes paid/refunded	0	–1.5	1.5
Income from equity investments and profits transferred	–23.7	–85.6	61.9
Finance income/finance costs	3.7	9.1	–5.4
Cash flows from operating activities	**–169.1**	**–131.3**	**–37.8**
Proceeds from the disposal of long-term financial assets	–1.4	130.0	–131.4
Payments for investments in fixed assets	–0.2	0	–0.2
Payments for investments in long-term financial assets	–8.2	–8.9	0.7
Dividends received	0	8.4	–8.4
Interest received	0	6.5	–6.5
Cash flows from investing activities	**–9.8**	**135.9**	**–145.8**
Proceeds from the issuance of share capital	0	67.9	–67.9
Proceeds from the issuance of bonds and from borrowings	116.8	170.6	–53.8
Payments for the redemption of bonds/borrowings	–35.9	–80.0	44.1
Interest paid	–3.1	–4.5	1.4
Dividends paid to shareholders	–56.0	–18.7	–37.3
Cash flows from financing activities	**21.8**	**135.3**	**–113.5**
Net change in cash and cash equivalents	**–157.0**	**139.9**	**–296.9**
Cash and cash equivalents at beginning of period	**164.8**	**24.9**	**139.9**
Cash and cash equivalents at end of period	**7.8**	**164.8**	**–157.0**

The cash flow statement shows a decrease in cash and cash equivalents by €157.0 million to €7.8 million.

Cash flows from operating activities is negative at €–169.1 million (previous year: €–131.3 million), which is the main reason for the significant decline in cash and cash equivalents.

Material cash outflows from operating activities refer to the cash management within the Group (€–165.2 million). In contrast, an amount of only €3.3 million was 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).

In terms of investing activities, cash outflows were incurred as a result of the loan granted in connection with the share purchase agreement (€–8.2 million). In the previous year, cash inflows had been generated from the disposal of long-term financial assets (€130 million).

Material cash inflows from financing activities primarily refer to borrowings and the issuance of bonds (€116.8 million). In addition, there were cash outflows from the redemption of borrowings (€35.9 million).

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

3. REPORT ON RISKS AND OPPORTUNITIES

3.1 RISK MANAGEMENT SYSTEM

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

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

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

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

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

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

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

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

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

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

3.2 RISK REPORT AND INDIVIDUAL RISKS

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

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

3.2.1 PROPOERTY-SPECIFIC RISKS

Transaction risk

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

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

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

Risk of loss of rental income

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

Letting risk

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

Environmental risk and risk from contaminated sites

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

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

3.2.2 COMPANY-SPECIFIC RISKS

Financing risk
In order to finance the acquisition of new plots of land and the realization of project developments, GATEWAY uses debt funding in a way that is usual in the industry and in a significant volume. The availability of borrowings and the terms at which such borrowings can be taken out depends to a large degree on the development of the capital market environment, in particular on the development of interest rate levels, but also on the situation in the banking sector and its regulatory requirements. In addition, risks might arise in connection with debt financing when arrangements agreed upon in financing contracts cannot be complied with. Against the background of the current coronavirus pandemic, it is also possible that, due to internal risk reassessments and adjustments to financing policies, banks and other financing partners may take longer than before to review and decide on financing requests. This could lead to a delay in the purchase of land or the completion of projects for which the relevant borrowed funds are to be used. In the event that the coronavirus pandemic leads to a longer-lasting recession with related negative effects on the economy as a whole and the financial sector in particular, defaults by banks or other financing partners would also be possible. Financing risks may have a very large impact on GATEWAY Group's financial position and performance and, in an extreme scenario, could have a very high financial impact. GATEWAY addresses these risks by continuing to diversify its instruments and sources of financing. The Management Board currently considers the probability of financing risks to occur to be unlikely and, taking into account the measures initiated by GATEWAY, does not see any significant financial impact.

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

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

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

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

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

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

In this context, litigation risks exist indirectly on the level of subsidiaries. However, the financial impact in case the Company is the defeated party is considered to be ranging from insignificant to low.

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

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

3.2.3 OVERALL ASSESSMENT OF THE RISK SITUATION

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

3.2.4 REPORT ON OPPORTUNITIES

GATEWAY is one of the developers of commercial and residential properties in Germany with activities spread throughout the country and will in future focus its business activities on the project development of residential real estate across Germany in the top 7 locations and high-growth regions. The regional presence in various locations within Germany presents the opportunity to react to changes in the demand at specific locations and cyclical market developments within individual asset classes with more flexibility than would be possible if there was a stronger regional concentration or a restriction on a particular asset class. The strong dynamic of sociodemographic and economic growth in Germany's top 7 cities provides an opportunity for a further increase in demand for the property types developed by Gateway in these cities. On the other hand, according to their respective statistical offices, with growth of 6.1% or around 620,000 persons by 2030, the top 7 cities in Germany (Berlin, Hamburg, Munich, Stuttgart, Frankfurt am Main, Cologne, Duesseldorf) have significantly higher forecasts for growth than the national average. In terms of employment growth, the top 7 cities are also developing well above the national average (more details in the chapter on the market environment/macroeconomic situation). When acquiring new properties and marketing its project developments, the Group benefits from the opportunities arising from good market access, which is based on the extensive network, market knowledge and many years of experience of its management and specialist and executive staff. This also applies to the market-driven design and implementation of the individual projects and their tailoring to the supply and demand situation in the respective local markets. As a project developer, GATEWAY has the opportunity in the current market environment, in contrast to companies with larger portfolios of standing assets, not to be affected by restrictive regulations on the rental housing market such as the Berlin rental cap, as this does not apply to new residential construction. In the financing area, there are additional opportunities resulting from the low-interest environment that is set to continue and that raises the expectation of continued very favorable debt financing options. As an exchange-listed company, GATEWAY may benefit from opportunities for equity and/or debt financing via the capital market. In particular, by further strengthening the equity base by means of capital increases, a better credit rating can be achieved compared to companies that do not have this option due to a lack of a stock market listing. This, in turn, facilitates access to debt financing or allows it to be raised on more favorable terms. The effects of the COVID-19 pandemic on the economy – including crises and recessions – also offer new opportunities for the GATEWAY Group in the procurement market in terms of property and land acquisition. Financial difficulties of other companies may open up opportunities to acquire properties in particularly attractive locations or subject to particularly favorable terms. In addition, the macroeconomic development, which is dominated by the pandemic, may result in a subdued increase of the purchase prices in certain local real estate markets or segments of real estate markets or in flat or falling price levels. This would also offer the opportunity to acquire properties at prices that are lower than originally assumed.

4. REPORT ON EXPECTED DEVELOPMENTS

4.1 TARGET ACHIEVEMENT 2020

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

4.2 ECONOMIC FRAMEWORK 2021

4.2.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

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

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

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

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

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

4.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

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

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

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

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

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

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

4.2.3 DEVELOPMENT OF REAL ESTATE MARKETS

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

Office market

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

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

Retail market

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

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

Residential real estate market

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

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

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

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

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

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

4.3 OUTLOOK FOR GATEWAY

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

The COVID-19 pandemic continues to dominate the current situation; in light of the new German Infection Protection Act and the associated introduction of a nationwide emergency brake, the impact on business activities remains difficult to predict.

The Company continues to see also opportunities arising on the procurement market as a result of the COVID-19 pandemic with respect to the acquisition of properties in particularly good locations or subject to particularly good terms. However, the Management Board of GATEWAY monitors the economic effects of the COVID-19 pandemic very closely and analyses the circumstances, risks and opportunities within the framework of the risk and opportunity management system.

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

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

On Company level, the Management Board expects earnings before taxes (EBT) to be in the mid two-digit million range. Earnings before taxes (EBT) primarily depends on the execution of distributions from material subsidiaries.

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

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

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

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

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

6. RISK REPORTING RELATING TO THE USE OF FINANCIAL INSTRUMENTS

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

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

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

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

CAPITAL MANAGEMENT

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

INTEREST RATE RISK

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

DEFAULT RISK MANAGEMENT

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

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

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

OTHER FINANCIAL ASSETS

The other financial assets concerned were derecognized as a result of expected permanent impairment. We refer to the note as regards the write-downs of current assets to the extent that they exceed the write-downs that are usual for the corporation.

Other loan receivables are due from, among others, affiliated project development companies.

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 funds are deposited in banks and financial institutions. The Company assumes that its cash funds have a low risk of default due to the external ratings of the banks and financial institutions.

LIQUIDITY RISK

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

FINANCING RISK

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

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

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

7. DISCLOSURES AND EXPLANATIONS RELEVANT TO TAKEOVERS

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

COMPOSITION OF SUBSCRIBED CAPITAL

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

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

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

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

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

SHARES GRANTING SPECIAL RIGHTS THAT CONFER CONTROLLING POWERS

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

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

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

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

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

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

POWERS OF THE MANAGEMENT BOARD TO ISSUE SHARES

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

AUTHORIZED CAPITAL

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

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

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

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

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

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

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

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

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

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

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

CONDITIONAL CAPITAL

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

AUTHORIZATION TO ACQUIRE TREASURY SHARES

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

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

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

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

8. REMUNERATION REPORT

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

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

REMUNERATION OF THE MANAGEMENT BOARD

Non-performance-related components

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

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

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

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

Performance-related components

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

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

—

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

SUPERVISORY BOARD REMUNERATION

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

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

—

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

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

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 Norbert Ketterer as well as enterprises affiliated with them.

Berlin, April 27, 2021

Gateway Real Estate AG
The Management Board

Tobias Meibom   Stefan Witjes

ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2020

BALANCE SHEET OF GATEWAY REAL ESTATE AG

AS OF DECEMBER 31, 2020

ASSETS

in €	12/31/2020	12/31/2019
A. Fixed assets		
I. Intangible assets		
Purchased concessions, industrial rights and similar rights and assets, as well as licenses in such rights and assets	266,871.00	0.00
II. Tangible fixed assets		
Other equipment, operating and office equipment	83,366.00	100,785.00
III. Tangible fixed assets		
1. Shares in affiliated companies	100,016,223.50	507,235,956.20
2. Loans to affiliated companies	11,868,895.78	11,303,895.78
3. Equity investments	42,443.52	42,446.52
	112,277,799.80	**518,683,083.50**
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	326,808,787.23	138,695,746.70
2. Receivables from other long-term investees and investors	1,291,944.36	1,191,944.38
3. Other assets	15,805,204.18	8,017,721.94
II. Cash on hand, bank balances	**7,800,210.84**	**164,848,115.28**
	351,706,146.61	**312,753,528.30**
C. Prepaid expenses	**619,151.39**	**597,585.65**
	464,603,097.80	**832,034,197.45**

EQUITY AND LIABILITIES

in €	12/31/2020	12/31/2019
A. Equity		
I. Subscribed capital	**186,764,040.00**	**186,764,040.00**
II. Reserves	**37,020,315.30**	**403,346,994.40**
III. Revenue reserves	**1,008,232.11**	**1,008,232.11**
IV. Net retained profit	**40,000,000.00**	**116,650,321.65**
	264,792,587.41	**707,769,588.16**
B. Provisions		
1. Tax provisions	47,863.00	0.00
2. Other provisions	1,506,233.76	2,162,849.00
	1,554,096.76	**2,162,849.00**
C. Liabilities		
1. Bonds	100,000,000.00	73,810,000.00
2. Liabilities to banks	42,400,000.00	12.51
3. Trade payables	539,369.25	274,999.11
4. Liabilities to affiliated companies	5,734,590.84	18,721,764.62
5. Other liabilities	49,509,866.51	29,294,057.58
thereof from taxes €64,981.76 (previous year: €54,279.31)		
	198,183,826.60	**122,100,833.82**
D. Deferred income	**72,587.03**	**926.47**
	464,603,097.80	**832,034,197.45**

INCOME STATEMENT OF GATEWAY REAL ESTATE AG

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020

in €	2020	2019
1. Revenue	935,127.44	98,145.93
2. Other own work capitalized	120,000.00	0.00
3. Other operating income	231,862.75	40,840,990.35
4. Raw materials and consumables used		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	0.00	6.76
b) Cost of purchased services	–627,006.20	0.00
5. Employee benefits expense		
a) Wages and salaries	–2,418,582.91	–1,778,987.89
b) Social security contributions, pensions and other employee benefits	–178,452.46	–84,311.55
thereof for pensions €2,494.44 (previous year: €2,360.43)		
6. Amortization, depreciation and write-downs		
a) Amortization and depreciation	–86,969.26	–36,682.93
b) Write-downs of current assets to the extent that they exceed the write-downs that are usual for the corporation	–1,718,258.90	–50,000.00
7. Other operating expenses	–4,592,172.39	–10,893,747.99
8. Income from equity investments	17,115,844.08	72,400,000.00
9. Income from profit transfer agreements	6,592,211.21	13,154,381.90
10. Income from other securities and long-term loans	46.02	50.62
11. Other interest and similar income	11,232,158.05	5,652,038.23
thereof from affiliated companies €10,768,572.11 (previous year: €5,497,596.79)		
12. Write-downs of long-term financial assets	–407,219,731.70	0.00
13. Interest and similar expenses	–6,286,157.06	–3,129,849.54
thereof to affiliated companies €126,179.96 (previous year: €81,104.77)		
14. Income taxes	–47,985.25	0.97
15. Net income/loss	**–386,948,066.58**	**116,172,034.86**
16. Other taxes	277.83	–1,719.21
17. Net profit/loss for the year	**–386,947,788.75**	**116,170,315.65**
18. Retained profits/accumulated losses brought forward from the previous year	116,650,321.65	480,006.00
19. Withdrawals from reserves	366,326,679.10	0.00
20. Dividends	–56,029,212.00	0.00
21. Net retained profit	**40,000,000.00**	**116,650,321.65**

NOTES

TO THE ANNUAL FINANCIAL STATEMENTS OF GATEWAY REAL ESTATE AG

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 address of the principal place of business has been Hardenbergstraße 28a, 10623 Berlin, Germany, since 2021.

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, 2020, 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.

Intangible and tangible fixed assets are carried at cost less amortization or depreciation, where applicable. Amortization and depreciation are based on the expected useful life which ranges between three and 13 years and are 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 (schedule 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. Receivables from affiliated companies in the amount of €194,518 thousand (previous year: €56,318 thousand) have 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 €765 thousand (previous year: €89 thousand).

SUBSCRIBED CAPITAL

The share capital amounted to €186,764 thousand as of December 31, 2020, unchanged from the previous year. It is divided into 186,764,040 no-par-value bearer shares at a notional value of €1.00 per share.

In the previous year, on April 10, 2019, GATEWAY had 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.

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 €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% of the Company's share capital (€93,382 thousand).

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 €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).

RESERVES

Reserves amount to €37,020 thousand (previous year: €403,347 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). By way of a Management Board resolution dated March 12, 2021, the unappropriated reserve in the amount of €366,327 thousand was reversed in accordance with Section 270 (1) HGB. The amount withdrawn was transferred to the distributable profit.

NET RETAINED PROFITS/ACCUMULATED LOSS

The reconciliation as required in accordance with Section 158 (1) AktG to net retained profits is as follows:

in €	21/31/2020	12/31/2019
Net income/loss for the fiscal year	–386,947,788.75	116,170,315.65
Dividend	–56,029,212.00	0.00
Retained profits/accumulated losses brought forward from the previous year	116,650,321.65	480,006.00
Withdrawals from reserves	366,326,679.10	0.00
Transfer to the legal reserve	0.00	0.00
Net retained profits	40,000,000.00	116,650,321.65

PROVISIONS

Other provisions mainly include amounts provided for legal, advisory and audit fees in the amount of €1,071 thousand (previous year: €1,268 thousand), for vacation and bonuses in the amount of €224 thousand (previous year: €116 thousand), for outstanding invoices and contributions to professional associations in the amount of €24 thousand (previous year: €672 thousand), for Supervisory Board remuneration in the amount of €184 thousand (previous year: €104 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

	12/31/2020			
	Total amount	thereof with a remaining term of		
in € thousand		< 1 year	> 1 year	> 5 years
Bonds	100,000.0 (73,810.0)	100,000.0 (0.0)	0.0 (73,810.0)	0.0 (0.0)
Liabilities to banks	42,400.0 (0.0)	0.0 (0.0)	42,400.0 (0.0)	0.0 (0.0)
Trade payables	539.4 (275.0)	539.4 (275.0)	0.0 (0.0)	0.0 (0.0)
Liabilities to affiliated companies	5,734.6 (18,721.8)	3,957.3 (18,721.8)	1,777.3 (0.0)	0.0 (0.0)
– thereof trade payables	0.0 (0.0)			
Other liabilities	49,510.0 (29,294.1)	49,510.0 (29,294.1)	0.0 (0.0)	0.0 (0.0)
– thereof from taxes	65.0 (54.3)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
Total	**198,184.0 (122,100.9)**	**154,006.7 (48,290.9)**	**44,177.3 (73,810.0)**	**0.0 (0.0)**

Prior-year figures in brackets

The liabilities to banks in the amount of €42,400 thousand (previous year: €0 thousand) result from loan liabilities and are secured by the Company as follows, amongst others:

- a due and fully enforceable first mortgage on the land of the subsidiaries Augskor 1 GmbH, Augskor 2 GmbH and Augskor 3 GmbH, Luxembourg, in a total amount of €42,400 thousand;
- a pledge of the interest reserve account.

Collateral also exists for trade payables as part of customary retentions of title.

The utilization of the abovementioned collateral provided is unlikely in our view as we expect on the basis of the economic condition that the company will meet its obligations from the loan agreement.

NOTES TO THE INCOME STATEMENT

REVENUE

Revenues fully refer to intragroup income in Germany.

OTHER OPERATING INCOME

In the fiscal year under review, other operating income amounts to €232 thousand (previous year: €40,841 thousand). This amount includes gains on disposal of long-term financial assets in the amount of €86 thousand (previous year: €39,422 thousand). In the previous year, income was also generated from cost transfers in the amount of €1,261 thousand. Moreover, other operating income includes income from the reversal of provisions in the amount of €124 thousand (previous year: €174 thousand).

WRITE-DOWNS OF CURRENT ASSETS TO THE EXTENT THAT THEY EXCEED THE WRITE-DOWNS THAT ARE USUAL FOR THE CORPORATION

As a result of an expected permanent impairment, other receivables were written down in the amount of €1,718 thousand.

OTHER OPERATING EXPENSES

Other operating expenses of €4,592 thousand (previous year: €10,894 thousand) include advisory, closing and audit fees in the amount of €2,741 thousand (previous year: €8,615 thousand). In the previous year, the expenses were mainly incurred in connection with the capital increase carried out in the previous year and the uplisting to the Prime Standard of the Frankfurt Stock Exchange. In the year under review, other operating expenses were reduced accordingly. Furthermore, losses of €803 thousand were incurred in the year under review on the disposal of long-term financial assets. Other operating expenses also include prior-period expenses of €12 thousand (previous year: €90 thousand).

INCOME FROM EQUITY INVESTMENTS

Income from equity investments amounts to €17,116 thousand in the year under review (previous year: €72,400 thousand). This amount refers to a preliminary distribution made by one subsidiary.

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 €6,592 thousand (previous year: €13,154 thousand).

WRITE-DOWNS OF LONG-TERM FINANCIAL ASSETS

As of the reporting date, the shares in Development Partner AG were written down to the lower selling price of €94,700 thousand in accordance with the share purchase and transfer agreement dated February 3, 2021; the write-down of €407,220 thousand was recognized through profit or loss. Please also refer to the report on events after the reporting date.

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 and vehicle leasing. The gross obligations from these agreements as of the reporting date amount to €602 thousand (previous year: €670 thousand).

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The declaration of compliance with the German Corporate Governance Code, as prescribed by Section 161 AktG was issued and was made publicly accessible on Gateway Real Estate AG's website.

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

PROPOSAL FOR THE APPROPRIATION OF PROFITS

The Management Board proposes to carry forward the net retained profit of €40,000,000.00 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.

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.

In the context of a share purchase agreement regarding the purchase of another 39.9% of the shares in Duisburg EKZ 20 Objekt GmbH, Gateway Real Estate AG provided a guarantee in the amount of €3,842 thousand and a surety in the amount of €3,400 thousand for a loan liability of PRS Family Trust. Both the guarantee and the surety are used to secure a refinancing transaction and expire when the liability is extinguished in full. A utilization is deemed unlikely as a result of the successfully conducted transaction.

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 2020:

Norbert Ketterer (Chairman of the Supervisory Board), businessman, Rüschlikon/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 Ketom AG, Zug/Switzerland
- Board of Directors of SN Beteiligungen Holding AG, Zug, Switzerland
- Board of Directors of SAYANO Family Office AG, Zug, Switzerland
- Board of Directors of Helvetic Private Investments AG, Zug, Switzerland
- Board of Directors of SKE Immobilien Schweiz I AG, Zug, Switzerland
- Supervisory Board of Development Partner, Duesseldorf

Thomas Kunze (Deputy Chairman of the Supervisory Board), business management graduate, 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), attorney, Frankfurt
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 Hendrik Hedding (Member of the Supervisory Board since August 21, 2019), businessman, Zurich/Switzerland
On August 21, 2019, Jan Hendrik 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:

- Supervisory Board of Development Partner AG, Duesseldorf
- Supervisory Board of Peires AG, Leipzig
- Board of Directors of Acron AG, Zurich/Switzerland
- Supervisory Board of Gerchgroup AG, Duesseldorf
- Board of Directors of Hereco Holdings AG, Zug/Switzerland
- Board of Directors of bloxxter AG, Zug/Switzerland
- Board of Directors of Real Estate Financing AG, Zug/Switzerland
- Board of Directors of Areal Will Zug AG, Zug/Switzerland
- Board of Directors of Areal Herzogenbuchsee Zug AG, Zug/Switzerland
- Board of Directors of unicorn two AG, Zug/Switzerland

Marcellino Graf von und zu Hoensbroech (Member of the Supervisory Board from August 21, 2019 to April 30, 2020), 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. On March 16, 2020, Marcellino Graf von und zu Hoensbroech resigned from his office as member of the Supervisory Board of Gateway Real Estate AG.

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

- Board of Directors of DNK Invest AG, Zug/Switzerland
- Board of Directors of PTS Master AG Schweiz, Wollerau/Switzerland
- Board of Directors of Parklane Zug AG, Zug/Switzerland

Leonhard Fischer (Member of the Supervisory Board since December 21, 2020), businessman, Zurich/Switzerland
On December 21, 2020, Leonhard Fischer 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:

— Chairman of the Investment Committee of DFG Deutsche Fondsgesellschaft SE Invest, Berlin

The Supervisory Board members received a remuneration of €117 thousand for the past fiscal year.

MEMBERS OF THE MANAGEMENT BOARD

The Management Board consisted of the following members in the past fiscal year 2020:

Manfred Hillenbrand, Chief Executive Officer (CEO), Dreieich (until December 31, 2020)
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:

None

Stefan Witjes, Chief Operating Officer (COO), Berlin (since January 21, 2021)
Supervisory board memberships and memberships on comparable German and foreign supervisory bodies in accordance with Section 285 no. 10 HGB:

None

The members of the Management Board received the following remuneration in the past fiscal year (in € thousand):

—

in € thousand	Manfred Hillenbrand Chief Executive Officer (CEO)	Tobias Meibom Chief Financial Officer (CFO)
Fixed remuneration:	480	480
Fringe benefits:	31	32
Total	**511**	**512**
Expenses for pensions:	7	7
Total remuneration	**518**	**519**

EMPLOYEES

In the past fiscal year, the Company employed 14 salaried employees (previous year: 5) 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.

NOTIFICATION OF VOTING RIGHTS DISCLOSURES PURSUANT TO SECTION 160 (1) NO. 8 AKTG

In accordance with Section 160 (1) no. 8 of the German Stock Corporation Act (Aktiengesetz; AktG), disclosures have to be made in relation to shareholdings notified to the Company in compliance with Section 21 (1) or (1a) of the German Securities Trading Act (Wertpapierhandelsgesetz; WpHG) (as amended on January 2, 2018) or in compliance with Section 33 (1) or (2) WpHG (as amended on January 3, 2018), respectively. The following information was taken from the most recent notification issued by a person/entity subject to notification requirements. The last change in the total number of voting rights (186,764,040) has been effective since April 11, 2019.

a. Yannick Patrick Heller notified us pursuant to Section 33 WpHG that his share of voting rights in Gateway Real Estate AG exceeded the 5% threshold on December 1, 2020 and amounted to 6.04% (11,288,000 voting rights) as of that date.

b. Yannick Patrick Heller notified us pursuant to Section 33 WpHG that his share of voting rights in Gateway Real Estate AG exceeded the 3% threshold on November 27, 2020 and amounted to 3.37% (6,288,000 voting rights) as of that date.

c. Norbert Ketterer notified us, by way of a voluntary Group notification in relation to falling below a certain threshold only on subsidiary level, that his share of voting rights in Gateway Real Estate AG on May 7, 2020 amounted to 66.24% (123,712,159 voting rights), with 66.19% or 123,616,650 of the voting rights being directly held and 0.05% or 95,500 of the voting rights representing voting rights attributed to him.

d. Sandra Ketterer notified us pursuant to Section 33 WpHG that her share of voting rights in Gateway Real Estate AG exceeded the 10% threshold on December 16, 2019 and amounted to 12.28% (22,936,698 voting rights) as of that date. In connection with this notification, Sandra Ketterer notified us pursuant to Section 43 (1) WpHG of the following: The objective of the investment is to generate gains from trading. I currently do not intend to acquire further voting rights in the Company by way of purchase or otherwise within the next 12 months, but do not rule out a purchase of further voting rights in the Company. I currently do not seek to gain influence as regards the appointment of members of administrative, management or supervisory bodies of the Company, except for the exercise of voting rights at general meetings. I currently do not seek to significantly change the Company's capital structure, in particular as regards the ratio of equity capital to borrowings or the dividend policy. The funds used to purchase the voting rights in the Company are own funds.

e. Norbert Ketterer notified us that his share of voting rights in Gateway Real Estate AG amounted to a total of 65.75% (122,805,275 voting rights) as of April 12, 2019.

f. Sandra Ketterer notified us pursuant to Section 33 WpHG that her share of voting rights in Gateway Real Estate AG fell below the 10% threshold on April 11, 2019 and amounted to 9.68% (18,086,698 voting rights) as of that date.

g. HANSAINVEST Hanseatische Investment-GmbH notified us pursuant to Section 33 WpHG that its share of voting rights in Gateway Real Estate AG fell below the 3% threshold on April 11, 2019 and amounted to 2.77% (5,170,000 voting rights) as of that date.

h. Santo Holding (Deutschland) GmbH notified us pursuant to Section 33 WpHG that its share of voting rights in Gateway Real Estate AG exceeded the 3% threshold on April 10, 2019 and amounted to 3.41% (5,789,685 voting rights) as of that date.

i. Sandra Ketterer notified us pursuant to Section 33 WpHG that her share of voting rights in Gateway Real Estate AG exceeded the 10% threshold on April 10, 2019 and amounted to 10.65% (18,086,698 voting rights) as of that date.

j. Norbert Ketterer notified us pursuant to Section 33 WpHG that his share of voting rights in Gateway Real Estate AG amounted to a total of 62.36% (105,879,536 voting rights) as of April 10, 2019.

k. HANSAINVEST Hanseatische Investment-GmbH notified us pursuant to Section 33 WpHG that its share of voting rights in Gateway Real Estate AG exceeded the 3% threshold on April 10, 2019 and amounted to 3.045% (5,170,000 voting rights) as of that date.

l. In October 2018, SN Beteiligungen Holding AG notified us pursuant to Section 20 (1) and (3) AktG 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.

m. In October 2018, Norbert Ketterer 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.

n. In October 2018, Sandra Ketterer notified us in accordance with Section 20 (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 (5) AktG that she no longer owns a majority in Gateway Real Estate AG.

o. In June 2016, HPI Helvetic Private Investments AG notified us pursuant to Section 20 (5) AktG that it does not own a majority shareholding and no longer holds more than one fourth of the shares in Gateway Real Estate AG.

p. In June 2016, Norbert Ketterer notified us pursuant to Section 20 (5) AktG that, based on the attribution of shares in accordance with Section 16 (4) AktG, he no longer holds a majority shareholding and no longer holds more than one fourth of the shares (Section 20 (1) in conjunction with Section 16 (2) sentence 1 AktG) in Gateway Real Estate AG.

q. In September 2011, HPI Helvetic Private Investments AG, Wollerau/Switzerland, notified us pursuant to Section 20 (4) AktG that its owns a majority shareholding in Gateway Real Estate AG.

REPORT ON EVENTS AFTER THE REPORTING DATE

Disposal of the Commercial Properties Development segment

All of the shares held in Development Partner AG, Düsseldorf, as well as 51% of the shares in each of the project companies Revaler Straße 32 PE GmbH, Berlin, Storkower Straße 140 PE GmbH, Berlin and Storkower Straße 142–146 PE GmbH, Berlin, held via the subsidiary Gateway Neunte GmbH, Frankfurt am Main, were disposed based on an agreement on the purchase and transfer of shares dated February 3, 2021. The acquirers are, at equal shares, IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG, which is a company controlled by Yannick Patrick Heller. In accordance with IAS 24, Mr. Heller can be considered a related party of a Supervisory Board member. The Commercial Properties Development segment is combined in the sold companies and is discontinued in the process in order to focus on the Residential Properties Development business. The share purchase agreement was effected on March 16, 2021, and led to a deconsolidation of the entire segment from the consolidated financial statements. The proceeds from the sale of the shares total € 103.7 million.

The claims from shareholder loans with a carrying amount of € 184.3 million as of December 31, 2020, are not part of the sale of shares and remain with Gateway Real Estate AG (€ 129.9 million) and Gateway Neunte GmbH (€ 54.4 million).

Acquisition of residential development projects in Cologne and Dresden

Based on a share purchase agreement dated February 17, 2021, all of the shares in Borussia Development GmbH (previously Gerch Invest GmbH) were acquired from the related company SN Beteiligungen Holding AG. With an equity interest of 89.9%, Gateway Real Estate AG has been the direct controlling shareholder of Borussia Dresden Quartiere am Blüherpark (previously Gerchgroup Dresden Quartiere am Blüherpark) 1–12 UGs as well as of Borussia Köln Deutz Quartiere (previously Gerchgroup Köln Deutz Quartiere) 1–21 since that date and consolidated these companies for the first time as of February 18, 2021.

A purchase price of € 70 million was agreed for the acquisition of the residential development projects; the purchase price is deferred until December 30, 2021 (interest: 4.25%). Furthermore, additional purchase prices were agreed which will be charged if certain construction stages of the acquired projects are resold with a profit margin defined in the contract. The additional purchase prices amount to a maximum total of € 50 million, plus accrued interest, if applicable.

The acquired companies are two residential property development sites in Cologne and Dresden with an overall development potential of around 540,000 sqm of floor space.

Purchase of additional shares in Duisburg shopping center

Based on a share purchase agreement effective January 1, 2021, the Company acquired another 39.9% of the shares in Duisburg EKZ 20 Objekt GmbH as well as a loan receivable. The purchase price and the loan receivable amount to a total of approximately € 12.5 million and was paid by offsetting loan receivables.

Berlin, April 27, 2021

Gateway Real Estate AG
The Management Board

Tobias Meibom   Stefan Witjes

MOVEMENTS IN FIXED ASSETS OF GATEWAY REAL ESTATE AG

FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2020

	Cost				
in €	01/01/2020	Additions	Disposals	Transfers	12/31/2020
I. Intangible assets					
Purchased concessions, industrial rights and similar rights and assets, as well as licenses in such rights and assets	9,126.63	320,246.07			329,372.70
Intangible assets	**9,126.63**	**320,246.07**			**329,372.70**
II. Tangible fixed assets					
Other equipment, operating and office equipment	372,807.51	16,175.19	298.23		388,684.47
Tangible fixed assets	**372,807.51**	**16,175.19**	**298.23**		**388,684.47**
III. Long-term financial assets					
1. Shares in affiliated companies	508,310,231.20		1,074,276.00		507,235,955.20
2. Loans to affiliated companies	11,303,895.78	565,000.00			11,868,895.78
3. Equity investments	718,911.15		676,467.63		42,443.52
Long-term financial assets	**520,333,038.13**	**565,000.00**	**1,750,743.63**		**519,147,294.50**
	520,714,972.27	**901,421.26**	**1,751,041.86**		**519,865,351.67**

Amortization, depreciation and write-downs				Carrying amount	
01/01/2020	Additions	Disposals	Accumulated amortization, depreciation and write-downs	12/31/2020	01/01/2020
9,126.63	53,375.07		62,501.70	266,871.00	0.00
9,126.63	**53,375.07**		**62,501.70**	**266,871.00**	**0.00**
272,022.51	33,594.19	298.23	305,318.47	83,366.00	100,785.00
272,022.51	**33,594.19**	**298.23**	**305,318.47**	**83,366.00**	**100,785.00**
1,074,275.00	407,219,731.70	1,074,275.00	407,219,731.70	100,016,223.50	507,235,956.20
				11,868,895.78	11,303,895.78
676,464.63		676,464.63		42,443.52	42,446.52
1,750,739.63	**407,219,731.70**	**1,750,739.63**	**407,219,731.70**	**111,927,562.80**	**518,582,298.50**
2,031,888.77	**407,306,700.96**	**1,751,037.86**	**407,587,551.87**	**112,277,799.80**	**518,683,083.50**

LIST OF SHAREHOLDINGS OF GATEWAY REAL ESTATE AG

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No.	Company	Registered office	Ownership interest in %	Equity as of 12/31/2020 in € thousand	Net profit/loss for the year 2020 in € thousand
1.	Gateway Asset Management GmbH	Eschborn	100	1,006	216
2.	Gateway Zweite GmbH & Co. KG	Frankfurt am Main	100	27	91
3.	Gateway Vierte GmbH	Frankfurt am Main	94.90	–351	–405
4.	Gateway Fünfte GmbH	Frankfurt am Main	94.90	–6,744	–3,133
5.	Gateway Siebte GmbH	Frankfurt am Main	100	19	4
6.	Gateway Achte GmbH	Frankfurt am Main	100	1,148	–186
7.	Gateway Neunte GmbH	Frankfurt am Main	100	742	510
8.	Gateway Elfte GmbH	Frankfurt am Main	94	371	9
9.	Gateway Siebzehnte GmbH	Eschborn	100	–3	–23
10.	Gateway Achtzehnte GmbH	Eschborn	100	–3	–19
11.	Gateway Betriebsvorrichtungen – Dienstleistungen – Marketing	Frankfurt am Main	100	–91	–34
12.	Development Partner AG[1]	Duesseldorf	100	30,219	0
13.	Gateway Residential GmbH	Frankfurt am Main	100	332	–548
14.	MUC Airport Living GmbH	Munich	90	–494	–370
15.	Duisburg EKZ 20 Objekt GmbH	Berlin	50	–874	–282
Indirect interests held in No. 6:					
	GTY 1te Bochum GmbH & Co. KG	Eschborn	100	355	–34
	GTY 1te Siegen GmbH & Co. KG	Eschborn	100	–170	–15
	GTY 1te Düsseldorf GmbH & Co. KG	Eschborn	100	157	–11
	GTY Betriebsvorrichtung GmbH	Eschborn	100	48	–13
Indirect interests held in No. 7:					
	Revaler Straße 32 PE GmbH	Berlin	51	–344	–127
	Storkower Straße 140 PE GmbH	Berlin	51	–134	–136
	Storkower 142–146 GmbH	Berlin	51	–147	–182
	Augskor 1 GmbH (S.à r.l.)	Luxembourg	100	–468	–460
	Augskor 2 GmbH (S.à r.l.)	Luxembourg	100	–269	–248
	Augskor 3 GmbH (S.à r.l.)	Luxembourg	100	–825	–809
	SKE Immo Sulzbach GmbH (S.à r.l.)	Luxembourg	100	–62	–62
Indirect interests held in No. 12:					
	Projektentwicklung Brotstraße in Trier GmbH	Duesseldorf	94	436	37
	Projektentwicklung Am Barmbeker Bahnhof in Hamburg Beteiligungs-Verwaltungsgesellschaft mbH	Duesseldorf	100	18	–1
	Projektentwicklung Venloer Straße Köln Beteiligungsgesellschaft mbH[2]	Duesseldorf	100	197	27
	Projektentwicklung Rudolfplatz in Köln GmbH	Duesseldorf	94	3,182	–179
	Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden Beteiligungs-Verwaltungsgesellschaft mbH	Duesseldorf	100	21	–1
	Projektentwicklung Uerdinger Straße in Düsseldorf Residential GmbH	Duesseldorf	94	–860	–512
	Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH	Duesseldorf	94	–1,085	729
	Immobiliengesellschaft Am Kennedydamm in Düsseldorf mbH	Duesseldorf	94	–10,356	–2,976
	Projektentwicklung Breite Gasse in Nürnberg GmbH	Duesseldorf	94	–3,950	–1,001
	Projektentwicklung Michaelkirchstraße in Berlin Beteiligungsgesellschaft mbH	Duesseldorf	100	–13,376	–1,660
	Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH	Duesseldorf	94	2,186	–416
	Projektentwicklung Mediaspree in Berlin GmbH	Duesseldorf	94.90	–1,105	–1,028
	Projektentwicklung Campus Park München GmbH	Duesseldorf	94.90	–1,122	–1,012
	Projektentwicklung Michaelkirchstraße in Berlin GmbH	Duesseldorf	94.90	–380	–728
	Projektentwicklung Technologiecampus Großraum Stuttgart GmbH	Duesseldorf	94.90	–4,608	–527
	Movingstairs GmbH	Kitzbühel/Austria	90	17	–22
	Gewerbepark Neufahrn Projektentwicklungs GmbH	Kitzbühel/Austria	100	–60	–22
	Projektentwicklung Wilmersdorfer Straße in Berlin GmbH & Co. KG	Duesseldorf	75	9	–2
	Projektentwicklung Am Barmbeker Bahnhof in Hamburg Beteiligungsgesellschaft mbH & Co. KG	Duesseldorf	75	4,950	4,759
	Immobiliengesellschaft Hutfiltern in Braunschweig GmbH	Duesseldorf	60	3,999	–1,890
	Projektentwicklung Abraham-Lincoln-Straße in Wiesbaden Beteiligungsgesellschaft mbH & Co. KG	Duesseldorf	60	6,460	21
Indirect interests held in No. 13:					
	Beteiligungsgesellschaft Berlin-Heinersdorf 18 GmbH	Berlin	90	–147	–15
	Objekt Heinersdorf in Berlin GmbH i.L.	Munich	100	13	–4
	Gateway SoHo Sullivan GmbH & Co. KG	Frankfurt am Main	90	–872	–599
	Gateway SoHo Sullivan Verwaltungs GmbH	Frankfurt am Main	100	21	–3
	S1 Rialto Quartier GmbH	Frankfurt am Main	100	–8,705	–7,518
	S2 Cliffhanger GmbH	Frankfurt am Main	100	–17	–14
	S3 Forum Sullivan GmbH	Frankfurt am Main	100	–14	–12
	S4 De Gregori Quartier GmbH	Frankfurt am Main	100	–13	–11
	S5 Dalla Quartier GmbH	Frankfurt am Main	100	–14	–12
	S7 Curve Quartier GmbH	Frankfurt am Main	100	–21	–19
	S9 Casino Quartier GmbH & Co. KG	Frankfurt am Main	100	–16	–12
	S6 Park Lane GmbH & Co. KG	Frankfurt am Main	100	–18	–11
	S8 Chelsea Quartier GmbH & Co. KG	Frankfurt am Main	100	–5	1
	S11 Piazza GmbH & Co. KG	Frankfurt am Main	100	–16	–11
	S12 Sound & Vision GmbH & Co. KG	Frankfurt am Main	100	–14	–10
Indirect interests held in Projektentwicklung Venloer Straße Köln Beteiligungsgesellschaft mbH:					
	Projektentwicklung Venloer Straße in Köln (S.à r.l.)	Luxembourg	20	2,349	–254

[1] Development Partner AG: The net profit for the year in the amount of €6,592 thousand was transferred to Gateway Real Estate AG pursuant to the control and profit transfer agreement entered into on November 13, 2019 (registration in the company register: November 25, 2019).
[2] Projektentwicklung Venloer Straße Köln Beteiligungsgesellschaft mbH: The net profit for 2020 includes the (preliminary) distribution of €2.2 million.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Company, and the management report 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.

Berlin, April 27, 2021

Gateway Real Estate AG
The Management Board

Tobias Meibom

Stefan Witjes

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

The auditor's report reproduced below also includes a "Report on the audit of the electronic reproductions of the financial statements and management report prepared for disclosure purposes in accordance with Section 317 (3b) HGB" ("ESEF report"). The subject matter underlying the ESEF Note (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed or downloaded from the Federal Gazette following publication.

INDEPENDENT AUDITOR'S REPORT

To Gateway Real Estate AG, Frankfurt am Main:

Report on the audit of the 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 2020, the statement of profit and loss for the financial year from 01 January 2020 to 31 December 2020, 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 01 January 2020 to 31 December 2020. In accordance with German legal requirements, we have not audited the contents of the management report, listed in section "Other information" of our independent auditor's report.

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

— the accompanying 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 2020, and of its financial performance for the financial year from 01 January 2020 to 31 December 2020 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 respects, 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 01 January 2020 to 31 December 2020. 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:

VALUATION OF SHARES IN AFFILIATED COMPANIES

Reasons for designation as a key audit matter
In the Company's annual financial statements, the value of the reported shares in affiliated companies decreased from €507.2 million (61% of total assets) in the previous year to €100.0 million (22% of total assets). This is due to the fact that the shares in Development Partner AG were sold in order to implement the changed business strategy, which includes the discontinuation of the "Commercial" segment. The disposal was partly to an entity that can be considered related to Gateway Real Estate AG according to IAS 24. The value realized on this sale was used to determine the fair value pursuant to Section 253 (3) Sentence 5 HGB, resulting in an impairment loss of €407.2 million. Due to the extent of the impairment and its impact on the net assets and results of operations of Gateway Real Estate AG, this matter was of particular significance in the context of our audit.

Our audit approach
As part of our audit, we considered in particular the appropriateness of the selling price for the shares sold of the affiliated company and its use as a lower fair value. For this purpose, we obtained an understanding of the relevant controls implemented. We considered the change in business strategy involving the discontinuation of the "Commercial" segment and thus forming the basis for the disposal, reviewed the decision paper prepared by the Management Board for the Supervisory Board in this context, and inspected the relevant Management Board and Supervisory Board minutes. We also assessed the calculations and analyses performed by management in connection with the determination of the purchase price as well as the fairness opinion obtained by the Management Board to objectify the selling price, evaluating the competence, skills and objectivity of the expert engaged by the legal representatives. In addition, we analyzed the difference between the value, that was determined from a disposal perspective and a value determined on the assumption that Development Partner AG will remain a subsidiary.

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. Furthermore we refer to the Company's report on events after the reporting date.

OTHER INFORMATION

The Management is 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 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 aforementioned other information and, in so doing, to consider whether the other information

— is materially inconsistent with the audited 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

Report on the audit of the electronic reproductions of the annual financial statements and the management report prepared for the purpose of disclosure in accordance with Section 317 (3b) HGB

AUDIT OPINION

We have performed an audit in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached electronic file Gateway_Real_Estate_AG_JA_LB_ESEF-2020-12-31.zip (SHA256-Hashwert: 167c874f4ecbbd7d9fd4613dac30d6135935721d00c0c7765320c7b8cf930f54) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this audit opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 01 January to 31 December 2020 contained in the "Report on the audit of the annual financial statements and on the management report" above.

Basis for the audit opinion

We conducted our audit on the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Audit on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Management and the Supervisory Board for the ESEF Documents
The legal representatives of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB.

In addition, the legal representatives of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The legal representatives of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF-documents as part of the financial reporting process.

Auditor's Responsibilities for the audit of the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

— Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls.

— Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

— Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the annual general Meeting on 12 May 2020. We were engaged by the Supervisory Board on 16 December 2020. We have been the auditor of the annual financial statements of Gateway Real Estate AG, Frankfurt am Main without interruption since the financial year 2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Frank Wellhöfer.

Nuremberg, 27 April 2021

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

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