NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2016 FINANCIAL YEAR

GATEWAY
REAL ESTATE

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1 GENERAL INFORMATION

Gateway Real Estate AG (hereinafter also referred to as "GATEWAY", the "Group" or the "company") and its subsidiaries specialise in the acquisition and long-term leasing of commercial property as investment assets. In addition, the company trades in residential properties and may also let these on long-term contracts to generate income. No further work is currently undertaken in developing logistics property projects.

GATEWAY has been entered in the commercial register at Frankfurt Local Court under number HRB 93304. Its registered office and postal address is The Squaire, Zugang 13, Am Flughafen, 60549 Frankfurt, Germany. Until 21 June 2016, the parent company and majority shareholder of GATEWAY was HPI Helvetic Private Investments AG, Wollerau, Switzerland (hereinafter also referred to as "HPI").

GATEWAY shares are listed in the Open Market of the Stuttgart Stock Exchange. They had previously been listed on the Frankfurt Stock Exchange. This listing is not in an organised market as defined in Section 2(5) of the German Securities Trading Act (WpHG). GATEWAY is therefore not a listed or publicly traded company as defined in German corporate and commercial law.

The consolidated financial statements were prepared by the company's Executive Board on 01 June 2017 and, subject to approval by the Supervisory Board, released for publication on 07 June 2017.

2 MAIN ACCOUNTING AND VALUATION METHODS

The main accounting and valuation methods underlying these financial statements are detailed below.

2.1 GENERAL

The consolidated financial statements of the company as of 31 December 2016 were prepared on a voluntary basis in accordance with the IFRS valid as of 31 December 2016 (including the interpretations of IFRS IC), as adopted by the EU, and the provisions of German commercial law applicable under Section 315a (1) of the German Commercial Code (HGB), as adopted by the EU for publicly traded entities.

These financial statements fully comply with the requirements of IFRS and therefore present a true and fair view of the net assets, financial position and results of operations of the Group. The statement of comprehensive income has been prepared using the total cost method.

As a general rule, the financial statements have been prepared on the basis of the historical cost concept, with the exception of the investment properties. These are measured at fair value.

The underlying estimates and assumptions applied in the preparation of these financial statements according to IFRS affect the measurement of assets and liabilities, the disclosure of contingent assets and liabilities at the respective reporting dates, as well as the income and expense amounts for the reporting period. Although all estimates and assumptions represent the best of management's knowledge and belief based on actual measures and developments, the final results may differ from these estimates.

The new accounting standards/interpretations below were applied in the IFRS consolidated financial statements for the annual reporting period ended:

STANDARD	SUBJECT
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IAS 1	Disclosure Initiative
Improvements to IFRS 2012-2014	Amendments and clarifications to IFRS 5, IFRS 7, IAS 19, IAS 34
Clarification of IAS 16 and IAS 38	Guidelines on the Choice of Depreciation Methods, in Particular Revenue-based Methods
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The first-time application of these standards/interpretations has no material effect on the consolidated financial statements or the presentation of the net assets, financial position and results of operations, or the earnings per share.

The following accounting standards newly issued or amended by the IASB up to the date of these financial statements, provided that they are adopted by the European Union, must only be applied after the balance sheet date and were not applied early by the company on a voluntary basis:

STANDARD	SUBJECT	FIRST-TIME APPLICATION MANDATORY FOR FINANCIAL YEARS STARTING
ENDORSED BY THE EU		
IFRS 9	Financial Instruments	01/01/2018
IFRS 15	Revenue from Contracts with Customers	01/01/2018
TO BE ENDORSED BY THE EU		
Amendments to IAS 7	Cash Flow Statements: Disclosure Initiative	01/01/2017
Amendments to IAS 12	Income Taxes: Clarifications	01/01/2017
Improvements to IFRS 2014-2016	Amendments and clarifications to IFRS 12	01/01/2017
Improvements to IFRS 2014-2016	Amendments and clarifications to IFRS 1 and IAS 28	01/01/2018
Clarifications to IFRS 15	Revenue from Contracts with Customers	01/01/2018
Amendments to IFRS 2	Share-based Payment	01/01/2018
Amendments to IFRS 4	Financial Instruments and Insurance Contracts	01/01/2018
IFRIC 22	Foreign Currency Transactions	01/01/2018
Amendments to IAS 40	Reclassification	01/01/2018
IFRS 16	Leases	01/01/2019
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	deferred indefinitely

The company does not currently expect the application of future accounting standards to have a material impact on the consolidated financial statements. The standards are to be applied when their application becomes mandatory for the first time.

The amounts in the notes and table summaries are mainly stated in thousands of euros (EUR thousand), unless otherwise stated. Due to the presentation in EUR thousand, rounding differences may occur both in the individual tables in the notes to the consolidated financial statements and in the comparison of the values in the notes to the consolidated financial statements with the other components of the financial statements.

2.2 CONSOLIDATION

A) SUBSIDIARIES

All GATEWAY subsidiaries are included in the consolidated financial statements, unless they are insignificant for the presentation of the net assets, financial position and results of operations of the Group. Subsidiaries are entities over which the company is able to, directly or indirectly, exercise control over the financial and operating policies. All companies included in the consolidation are listed in Section 2.2.b "Basis of consolidation" below.

Subsidiaries are consolidated and included in the consolidated financial statements from the time the ability to exercise control has transferred to the Group. They are deconsolidated from the moment the Group is no longer able to exercise control.

In accordance with IFRS 3, the purchase method is used to account for acquisitions of subsidiaries. The cost of the acquisition is recognised at the fair value of the assets transferred, the assets acquired, the equity instruments issued and the liabilities incurred and/or assumed on the transaction date, plus – if the provisions of IFRS 3 (2004) were still applicable when the business combination took place – any costs directly attributable to the acquisition at the time control was transferred. At the initial consolidation of a business combination, any identifiable assets, liabilities and contingent liabilities are measured at their fair value on the date of acquisition, irrespective of the share of non-controlling interests. Any excess of acquisition costs over the Group's share in the net assets measured at fair value is recognised as goodwill. In the event

of the acquisition costs being less than the (share in the) net assets measured at fair value of the acquired subsidiary, the negative goodwill is reported directly in the statement of comprehensive income.

Any additional acquisitions or sales of interests in subsidiaries that did not lead to a change of control are captured in other comprehensive income as equity transactions in cash outflows to external shareholders (business combination with no change of status). Any resulting differences are offset against retained earnings.

Intragroup receivables and liabilities as well as gains and losses are offset against each other. Intragroup transactions, balances and gains from transactions between Group companies are eliminated. The same applies to losses, unless the transaction indicates an impairment of the transferred asset. If required, the accounting and valuation methods of subsidiaries were amended in order to ensure consistent reporting throughout the Group.

B) BASIS OF CONSOLIDATION

GATEWAY includes the following subsidiaries in the consolidated financial statements as of the balance sheet date by way of full consolidation.

SUBSIDIARY	DOMICILE	BUSINESS ACTIVITIES	OWNERSHIP INTEREST IN %
Gateway Verwaltungsgesellschaft mbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Asset Management GmbH	Frankfurt, Germany	Commercial properties	100.00
ABK Wohnraum GmbH & Co. KG	Leipzig, Germany	Residential properties	94.50
Gateway Erste GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Zweite GmbH & Co. KG	Frankfurt, Germany	Commercial properties	100.00
Gateway Vierte GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Fünfte GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Sechste GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Siebte GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Achte GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Neunte GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Zehnte GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Elfte GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Zwölfte GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Dreizehnte GmbH	Frankfurt, Germany	Commercial properties	100.00
Gateway Vierzehnte GmbH	Frankfurt, Germany	Commercial properties	100.00

Hanseatische Immobilien Börse HIB GmbH, Hamburg, was deconsolidated in 2016. This no longer had any material effect on the result of GATEWAY. HIB was removed by means of an entry in the commercial register on 3 August 2016.

The reporting date of all subsidiaries included in the consolidated financial statements is the same as the one of the parent company. In accordance with Section 264b HGB, the partnerships listed above as subsidiaries are exempt from the reporting, audit and disclosure obligations applicable to stock corporations in relation to the annual financial statements and management report.

The entities listed below continue to be included as associates in the consolidated financial statements using the equity method:

ASSOCIATES	DOMICILE	BUSINESS ACTIVITIES	OWNERSHIP INTEREST IN %
GAMWAY Holding GmbH	Berlin, Germany	Commercial properties	50.00
GAM Retail Portfolio Holding GmbH	Berlin, Germany	Commercial properties	42.15
Retail Portfolio Teilestrasse Objekt UG	Berlin, Germany	Commercial properties	40.00
Retail Portfolio Wittenauer Strasse UG	Berlin, Germany	Commercial properties	40.00
Retail Portfolio Bremerhaven Objekt UG	Berlin, Germany	Commercial properties	40.00
Retail Portfolio Düsseldorf Objekt UG	Berlin, Germany	Commercial properties	40.00

The following aggregated financial information is available for these companies as of 31 December 2016:

in EUR thousand ASSOCIATES	ASSETS	LIABILITIES	EQUITY	PROFIT OR LOSS
GAMWAY Holding GmbH[1)]	–	–	–	–
GAM Retail Portfolio Holding GmbH	5,637	77	5,560	10,196
Retail Portfolio Teilestrasse Objekt UG	55	669	-614	-614
Retail Portfolio Wittenauer Strasse Objekt UG	500	1,302	-802	-801
Retail Portfolio Bremerhaven Objekt UG	11	282	-271	-270
Retail Portfolio Düsseldorf Objekt UG	2,281	2,424	-143	-142

[1)] The annual financial statements as of 31 December 2016 are still outstanding. In 2016, however, the company did not engage in any significant business activities.

2.3 FUNCTIONAL CURRENCY AND FOREIGN CURRENCY TRANSLATION

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

2.4 INTANGIBLE ASSETS

A) GOODWILL

Goodwill is the excess of acquisition costs of a company over the Group's share in the net assets of the acquired company measured at their fair value on the date of acquisition and is reported as an intangible asset. Goodwill represents the synergy potential resulting from the business combination for the cash-generating unit to which the goodwill is attributable.

B) OTHER INTANGIBLE ASSETS

This primarily includes purchased software. It is recognised at cost and amortised over the relevant useful life using the straight-line method. As a rule, the useful life of purchased software is three years.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost, less accumulated depreciation and impairment losses. The straight-line method is used for depreciation, taking into account the residual values and based on the useful lives listed below:

- IT hardware: 3 years
- Office equipment: 8 to 20 years

The residual values and remaining economically useful life are reviewed at each reporting date and adjusted, if necessary. Subsequent costs of assets are only recognised when the company is likely to derive some economic benefit in the future. All other repair and maintenance costs are recognised through profit or loss in the statement of comprehensive income in the year in which they were incurred. If the carrying amount of an asset exceeds its estimated recoverable amount, it is written down to this amount. Gains and losses from the disposal of property, plant and equipment are calculated by comparing the disposal gain or loss with the carrying amount, plus any directly attributable disposal costs, and capturing them in operating profit or loss.

2.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill is tested for impairment at least once a year and whenever there are indications that it may be impaired. Property, plant and equipment and intangible assets that are subject to depreciation and amortisation are tested for impairment as soon as developments indicate that their carrying amounts may not be recoverable.

An impairment loss is recognised in the amount by which the carrying amount of an asset exceeds its recoverable amount. The latter represents the higher amount of the net realisable value of the asset and the discounted net cash flows from its continued use (value in use).

In order to assess the impairment, the assets for which cash flows can be largely identified separately from the rest of the entity are aggregated to form cash-generating units at the lowest level. Goodwill is tested at the level of the segment to which it is assigned because it is the smallest unit at which goodwill is controlled. If the asset recovers, impairment losses are reversed up to a maximum of the amortised cost. No reversals of impairment losses are recognised for goodwill.

2.7 INVESTMENT PROPERTY

Upon first-time recognition, GATEWAY classifies property in accordance with its intended use either as investment property, as inventory property or as owner-occupied property under property, plant and equipment.

All Group properties that are neither owner-occupied nor held for sale are reported as investment properties. Property held for sale is presented separately from other assets in the balance sheet.

Any properties that are intended to be held in the long term but do not meet the IAS 40 criteria for investment property are captured in property, plant and equipment.

There are no sales activities associated with investment properties. They are to be held in the medium to long term and either leased or held for capital appreciation purposes.

Initial measurement of investment property is at cost, inclusive of ancillary costs. Subsequent measurement of investment property is at fair value, reflecting the market situation as of the reporting date. Any gains or losses resulting from a change in the fair value are reported in the income statement. Any subsequent costs for the extension or conversion of properties are recognised if such extensions/conversions contribute to an increase in the fair value of the properties.

An additional assumption underlying measurement of investment properties is that their best possible utilisation can be presumed. Any planned change of use is factored in to the calculation, provided the project is technically feasible, lawful and financially viable.

If any property held for sale is transferred to the investment property stock, the difference between the fair value and the carrying amount at the time of transfer is recognised through measurement of gains or losses in the income statement.

All property stocks are measured annually as of 31 December. The fair value of investment property is determined on the basis of reports by independent, external experts and accepted valuation methods. All independent experts hold the relevant professional qualifications and are experienced in carrying out such valuations. The expert reports are based on information provided by the company, e.g. current rents, maintenance and administrative costs, current vacancy rates, and on the experts' assumptions, which are based on market data and their professional expertise, e.g. expected future market rents, typical maintenance and administrative costs, structural vacancy rates and capitalised interest rates.

The details made available to the expert and any assumptions made, as well as the results of the property valuations, are analysed externally by the accounting firm appointed to prepare the consolidated financial statements and internally by the Executive Board.

2.8 ASSOCIATED COMPANIES

Associated Companies are entities over which the Group can exercise significant influence but no control. Material influence is generally assumed if GATEWAY directly or indirectly holds at least 20% to 50% of the voting rights.

Interests in associates are recognised using the equity method and measured at cost on acquisition.

The Group's share in the gains and losses of associates is recognised through the income statement from the time of acquisition. Cumulative changes post acquisition are offset against the carrying amounts of the investments. When the Group's share in the losses sustained by an associate is equal to or exceeds its share in said associate, including any other unsecured receivables, the Group does not recognise any further losses, unless it has made commitments or payments on behalf of the associate.

Unrealised gains from transactions between Group companies and associates are eliminated according to the Group's interest in the associate. The same applies to unrealised losses, unless the transaction indicates an impairment of the transferred asset.

If required, the accounting and valuation methods of associates were amended in order to ensure consistent reporting throughout the Group.

2.9 FINANCIAL ASSETS (SUMMARY)

Financial assets are classified according to the following measurement categories:

- Financial assets measured at fair value through the income statement (none in either the reporting or prior period)
- Loans and receivables
- Held-to-maturity assets (none in either the reporting or prior period)
- Available-for-sale financial assets

Classification is according to the purpose for which the financial asset was acquired. Management determines the classification of the financial assets on initial recognition and subsequently reviews the classification at each reporting date. The Group only held financial assets in the loans and receivables category in the reporting and comparative period.

2.10 FINANCIAL ASSETS (INDIVIDUAL VALUATION CATEGORIES)

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They arise when the Group directly provides money, goods or services to a debtor without the intention of trading these receivables.

They are reported in current assets, unless their maturity exceeds the end of the reporting period by 12 months. In this case, they are reported in non-current assets. Loans and receivables are included in the trade and other receivables item in the balance sheet.

Loans and receivables are measured according to the effective interest method at amortised cost, less any impairments. The effective interest method is used to measure interest income, with the exception of current receivables where the interest rate effect would be immaterial.

2.11 INVENTORIES

The Group's inventories mostly include properties acquired and held for sale, as well as properties constructed by the Group, and are intended to be sold following completion. They are recognised at the lower of cost and net realisable value.

The cost of properties held for sale includes the purchase price plus all directly attributable ancillary costs and charges, such as broker's fees, property transfer tax, notary fees and land registration fees. The cost of construction work-in-progress includes expenses directly attributable to the development process and borrowing costs, if they apply to the period of construction.

The net realisable value relates to the sales proceeds deemed achievable in the normal course of business, less any estimated costs of completion and any selling expenses yet to be incurred.

2.12 TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

Initial recognition of receivables is at fair value, net of transaction costs. Subsequent measurement is at amortised cost using the effective interest method and less any impairment losses.

An impairment loss is recognised when there are objective indications that any outstanding amounts receivable may not be collected in full.

The amount of the impairment is calculated as the difference between the carrying amount of the receivable and the present value of its estimated future cash flows, discounted by the effective interest rate. Any impairment losses are recognised in the income statement.

In the event of a complete or partial elimination of the reasons for the impairment loss, it is reversed in the income statement by an amount not exceeding the amortised cost.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised at cost in the balance sheet. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, sight deposits with banks and other short-term, highly liquid financial investments with an original maturity of no more than three months.

2.14 OTHER PROVISIONS

Other provisions are recognised for all current legal or other obligations that arise from past events, whose settlement is expected to result in an outflow of resources, and where the amount of the obligation can be estimated reliably. When the company expects a refund of a provisioned amount (for example, under an insurance policy), it recognises the reimbursement right as a separate asset if the reimbursement is virtually certain in the event of a claim under the obligation.

The company recognises provisions for any loss-making transactions when the anticipated benefit from the contractual entitlement is less than the unavoidable costs arising from performing the contractual obligations.

2.15 FINANCIAL LIABILITIES, TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Initial recognition of financial liabilities is at fair value, net of transaction costs. Recognition in subsequent periods is at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value are recognised in the statement of comprehensive income over the term of the loan using the effective interest method.

Financial liabilities are classified as current when the Group does not have the unconditional right to postpone settlement of the liability for a minimum of 12 months after the reporting date. Trade payables and other current liabilities are measured at amortised cost using the effective interest method.

2.16 DEFERRED AND CURRENT INCOME TAXES

Using the asset-liability method, deferred income tax receivables and tax liabilities are recognised for temporary differences between the tax base and the IFRS carrying amount, as well as for consolidation entries for assets and liabilities, and for unused tax loss carryforwards. Measurement of deferred taxes is based on the tax rates prevailing at the end of the reporting period and applicable at the time of the relevant reversal. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences or loss carryforwards can be utilised.

Current tax assets and tax liabilities are recognised at the amount expected to be recovered from or paid to the tax authorities, based on the tax rates and tax legislation enacted at the reporting date.

2.17 REVENUE RECOGNITION

Revenue includes the amount invoiced for the sale of properties. Revenue from the sale of property is recognised when the material risks and rewards of ownership have passed to the buyer. This normally takes place with the buyer's assumption of the rights, benefits, liabilities and risks of the property's ownership. In the case of disposals of special-purpose entities, this is usually upon completion of the transfer of shares.

Revenue from rental income is captured on an accrual basis in accordance with the provisions of the relevant contracts. Rental income from investment property is reported in revenue, rental income from property held for sale in other operating income.

Revenue from services is recognised in accordance with the stage of completion as of the reporting date of the transaction, provided that the proceeds of the service transaction can be estimated reliably. The stage of completion is determined by the fees agreed with the customer for each contract or stage of the contract.

The company recognises interest income on a time proportion basis, taking into account any amounts outstanding and the effective interest rate applicable to the remaining term.

2.18 LEASES

Leases in which the Group is the lessee and substantially bears all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Finance lease items are recognised as assets at the start of the lease with the lower of the fair value and the present value of the minimum lease payments. At the same time, a corresponding lease liability is recognised in non-current financial liabilities. Any part of a lease liability payable within 12 months of the reporting date is recognised in current financial liabilities. Subsequently, each lease instalment is divided into an interest and a repayment portion, taking into account a constant interest rate for the respective residual leasing liability. The interest portion of the lease instalment is reported as interest expense in the statement of comprehensive income.

All other leases not classified as financial leases in which the company is a lessee are accounted for as operating leases. The objects of operating lease agreements are motor vehicles, office furniture and equipment and also business premises. These agreements do not include purchase options. Rental of business premises includes the option to renew the agreement(s) at normal market conditions.

Leases in which the Group is the lessor apply to both properties held for sale and investment properties. The lease agreements are classified as operating leases.

2.19 RESIDUAL CLAIMS AND DIVIDEND DISTRIBUTIONS

The Group holds shares in a partnership in which minority interests are held. In the case of partnerships, the shareholder position must always be accounted for as a liability due to the termination rights of the limited partners. From the Group's perspective, this relates to minority interests in subsidiaries in the legal form of partnerships.

When this liability arises, it is measured at the present value of the shareholder's settlement claim. In subsequent periods, the liability is adjusted depending on the company's results prior to recognition of the change in the liability. The change in the liability is recognised in the income statement, provided it is not based on either capital contributions or withdrawals. Negative non-controlling interests, i.e. receivables from non-controlling interest shareholders, are not reported, as there is no obligation for them to make any further capital contributions.

3 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

3.1 FINANCIAL RISK MANAGEMENT PRINCIPLES

Financial risk management includes the management and limitation of financial risks arising from operating activities. It includes continuous, rolling liquidity management aimed in particular at avoiding significant bad debt losses and securing the financial requirements of ongoing business.

In order to limit the risk of bad debt losses, ownership of sold properties is not transferred to the purchaser until the purchase price has been paid into a notary escrow account. Interest rate risks do not play a material role due to the predominantly short-term nature of borrowings. The quantitative disclosures with regard to the risk of bad debts is presented in the following subsection on “Default risk management”.

The quantitative disclosures with regard to the financing and liquidity risk is presented in the following subsections on “Liquidity risk” and “Credit risk”

3.2 CAPITAL RISK MANAGEMENT

The Group manages its capital – within the meaning of IFRS Group equity as shown in the balance sheet – with the aim of maintaining an equity ratio of around 25% to 30% and, accordingly, a debt ratio of around 70% to 75%. This ensures that all Group companies can operate as a going concern.

The Group regularly reviews its capital structure when preparing annual and interim financial statements. The equity ratio at the end of the year was as follows:

in EUR thousand EQUITY RATIO	31/12/2016	31/12/2015
Equity	26,698	1,836
Balance sheet total	139,925	10,803
Equity ratio (in %)	19.1	17.0

3.3 CLASSES OF FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

In the following tables, the carrying amounts of the financial instruments are reconciled with the measurement categories in accordance with IAS 39 and the fair values of the financial instruments with their source of valuation disclosed for each class:

in EUR thousand 31/12/2016	CARRYING AMOUNT	OF WHICH WITHIN THE SCOPE OF IFRS 7	VALUATION CATEGORY[1)]	FAIR VALUE WITHIN THE SCOPE OF IFRS 7
Trade receivables	27	27	LaR	27
Other current receivables	196	124	LaR	124
Cash and cash equivalents	17,871	17,871	LaR	17,871
Current financial liabilities	6,083	6,017	AmC	6,002
Non-current financial liabilities	97,441	97,507	AmC	97,036
Trade payables	1,781	1,781	AmC	1,781
Other current liabilities	2,923	2,233	AmC	2,233

[1] AfS: available-for-sale financial assets; LaR: loans and receivables; AmC: amortised cost.

in EUR thousand 31/12/2015	CARRYING AMOUNT	OF WHICH WITHIN THE SCOPE OF IFRS 7	VALUATION CATEGORY[1)]	FAIR VALUE WITHIN THE SCOPE OF IFRS 7
Trade receivables	8	8	LaR	8
Other current receivables	322	85	LaR	85
Cash and cash equivalents	949	949	LaR	949
Current financial liabilities	0	0	AmC	0
Non-current financial liabilities	3,218	3,218	AmC	3,218
Trade payables	1,452	1,452	AmC	1,452
Other current liabilities	4,001	3,106	AmC	3,106

[1] AfS: available-for-sale financial assets; LaR: loans and receivables; AmC: amortised cost.

Financial instruments measured at fair value are classified according to the significance of the factors and information used in their measurement and classified in (valuation) levels.

The classification of a financial instrument into one level is based on the significance of its input factors for its overall valuation, namely according to the lowest level, the consideration of which is material or relevant for the valuation as a whole. The valuation levels are subdivided hierarchically according to their input factors:

Level 1: prices quoted (unadjusted) in active markets for identical assets or liabilities
Level 2: Input factors other than quoted prices included in Level 1 but observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: Factors not based on observable market data for the measurement of the asset or liability (unobservable input factors)

The financial instruments recognised at fair value in the consolidated balance sheet are all measured on the basis of information and input factors in Level 2 described above.

Cash and cash equivalents, trade receivables and other current receivables generally have short residual maturities. Their carrying amounts at the balance sheet date therefore approximate their fair values. The same applies to trade payables and other current liabilities. The carrying amount of financial liabilities also corresponds to their fair value, as these have short residual terms to maturity and were largely only taken up during the past financial year.

For other non-current financial assets, it is assumed for reasons of materiality that their carrying amount corresponds to their fair value at the balance sheet date.

3.4 NET GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS

The net result by valuation category in accordance with IAS 39 is as follows:

in EUR thousand	AFS	LAR	AMC	TOTAL
Interest income	0 (PY: 0)	18 (PY: 3)	0 (PY: 0)	18 (PY: 3)
Interest expenses	0 (PY: 0)	0 (PY: 0)	-2,578 (PY: -184)	-2,578 (PY: -184)
Impairment losses (in other operating expenses)	0 (PY: 0)	0 (PY: -3)	0 (PY: 0)	0 (PY: -3)
Net result	0 (PY: 0)	18 (PY: 0)	-2,578 (PY: -184)	-2,560 (PY: -184)

3.5 INTEREST RATE RISK

The interest income reported in the statement of comprehensive income is broken down as follows:

in EUR thousand OTHER INTEREST AND SIMILAR INCOME	31/12/2016	31/12/2015
Interest income from interest-bearing assets	18	3
Changes in other capital of shareholders	0	0
Total	18	3

As in the previous year, the interest expense shown in the statement of comprehensive income consists exclusively of interest on interest-bearing liabilities amounting to EUR 2,578 thousand (previous year: EUR 184 thousand). In the financial year, no financing expenses were capitalised in inventories as construction costs. The corresponding capitalisation rate in the financial year was between 1.65% and 20%.

The Group is exposed to risks from changes in interest rates in connection with loans taken out to finance the purchase of property.

In the loan agreements, a variable interest rate for future loan liabilities was primarily agreed. Interest rate hedges to reduce the risk of interest rate changes have not yet been concluded.

A hypothetical increase or decrease in the market interest rate level by 50 basis points would have had the following effects on earnings before taxes (EBT) and on equity to the same extent, which affect the financial result on the earnings side:

in EUR thousand	BASE POINTS	2016	2015
Change in the level of market interest rates	+50	-142	0
	-50	142	0

3.6 DEFAULT RISK MANAGEMENT

Default risk refers to the risk of a loss for the Group if a contractual party fails to meet its contractual obligations. The Group only enters into business relationships with creditworthy contractual parties and, if appropriate, by obtaining collateral in order to mitigate the risks of loss arising from the non-fulfilment of obligations. The Group uses available financial information and its own trading records to evaluate its customers. The Group's risk exposure is monitored on an ongoing basis. Special default risks, which generally arise in the case of significant receivables from the sale of property and equity investments as well as broker commissions to institutional investors, are considered separately.

Trade receivables are due from a large number of customers spread across different geographical areas. As a rule, these are private individuals or traders who rent or have acquired property from the Group.

As of the balance sheet date, the following age structures existed with regard to trade receivables and other current assets that are not impaired and for which no collateral was provided to the Group:

in EUR thousand AGE STRUCTURE OF TRADE RECEIVABLES	31/12/2016	31/12/2015
Receivables not past due	27	8
Receivables up to 30 days past due	0	0
Receivables up to 90 days past due	0	0
Receivables up to 180 days past due	0	0
Receivables up to 360 days past due	0	0
Receivables more than 360 days past due	0	0
Total	27	8
Carrying amount of impaired receivables	0	0
Total	27	8

in EUR thousand AGE STRUCTURE OF OTHER CURRENT RECEIVABLES	31/12/2016	31/12/2015
Receivables not past due	124	85
Receivables up to 30 days past due	0	0
Receivables up to 90 days past due	0	0
Receivables up to 180 days past due	0	0
Receivables up to 360 days past due	0	0
Receivables more than 360 days past due	0	0
Total	124	85
Carrying amount of impaired receivables	0	0
Total	124	85

The receivables not overdue as of the balance sheet date are mainly due from customers with a good credit rating and the Group does not expect any significant bad debt losses. No material impairment losses from bad debts for trade receivables were recognised in the financial year due to poor customer credit ratings (previous year: EUR 0 thousand).

In the area of other current receivables, specific valuation allowances of EUR 7 thousand (previous year: EUR 3 thousand) were recognised in the income statement due to the poor credit rating of the debtors.

All impairments on receivables are included in the income statement under “Other operating expenses”.

In the segment reporting, impairment losses of EUR 7 thousand (previous year: EUR 3 thousand) are recognised in the “Logistics properties and holding activities” segment and of EUR 0 thousand (previous year: EUR 0 thousand) in the “Residential properties” segment.

There were no material default risks as of the balance sheet date. The carrying amount of the financial assets recognised in the consolidated financial statements represents the maximum default risk.

3.7 LIQUIDITY RISK

Responsibility for liquidity risk management lies with the Executive Board, which has developed an appropriate concept for managing short, medium and long-term financing and liquidity requirements. The Group manages liquidity risks by maintaining adequate reserves, through credit lines with banks, and by constantly monitoring forecast and actual cash flows and reconciling the maturity profiles of financial assets and liabilities.

The following table shows the residual contractual terms of the Group's liabilities falling within the scope of IFRS 7. The table is based on undiscounted cash flows based on the earliest date on which the Group can be required to make payments. The table contains both interest and principal payments.

in EUR thousand RESIDUAL TERM OF FINANCIAL LIABILITIES WITHIN THE SCOPE OF IFRS 7 (INCLUDING INTEREST PAYMENTS)	31/12/2016	31/12/2015
Payments within 12 months	8,437	3,925
Payments within 12 to 24 months	5,181	3,258
Payments within 24 to 60 months	48,556	0
Repayment after more than 60 months	54,701	0
Total	116,875	7,183

In addition to financial liabilities, there are further liabilities within the scope of IFRS 7 amounting to EUR 4,014 thousand (previous year: EUR 4,558 thousand) which are due within 12 months (cf. table for 3.3). The Group expects to be able to meet its liabilities from its own operating cash flow, available financial assets and funds provided by the parent company HPI and its related parties.

3.8 FINANCING RISK

GATEWAY is reliant on the granting of bank loans and loans from the main shareholder to acquire companies and property and for its ongoing business activities.

Similarly, in the case of expiring loans – particularly in the context of property financing, which in some cases is only short term and must be regularly extended – it is necessary to extend or refinance these loans. In all cases, there is a risk that an extension will not be possible at these or other conditions.

The market risk for bank loans is relatively low, as most of the existing loans have variable interest rates. As of the balance sheet date, there were unused credit lines amounting to EUR 0 thousand.

The aim of the financial management system is for GATEWAY to generate the necessary funds for operational growth and for the investments required in this context from its own resources. Until this goal is achieved and implemented, the majority shareholder supports GATEWAY by providing sufficient financial resources.

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

For accounting purposes, the company makes certain estimates and assumptions in respect of expected future developments. All assumptions and estimates are based on conditions and assessments as of the balance sheet date and affect both the presentation of the net assets, financial position and results of operations as well as how the risks underlying the financial reporting are understood. The estimates that are derived in this manner may differ from later realities. Critical estimates and assumptions are particularly important for accounting purposes in the following areas:

- With each reporting date, the Executive Board must decide whether properties held by the Group are to be held long term for leasing to others or for the purpose of appreciation or sale. Depending on which decision is made, the properties are reported according to the standards for investment properties, as properties held for sale with finished and unfinished buildings (inventories), or as non-current assets held for sale, and are classified accordingly at (amortised) cost or measured at fair value.

- The market values of the investment properties are based on the results of independent experts who have been engaged to appraise them. The valuation is based on the discounted cash flow method (previous year: German income approach [Ertragswertverfahren]) on the basis of expected future revenue surpluses. Factors such as future rental income and applicable required rates of interest are estimated accordingly by GATEWAY in consultation with the expert and directly affect the fair value of the investment properties. As of the reporting date, the fair value of the investment properties amounted to EUR 118,298 thousand (previous year: EUR 6,482 thousand).
- Estimation of the net selling prices for property held as inventories is subject to uncertainties, particularly in regard to realisable sales prices. As of the reporting date, the carrying amount of the properties with finished and unfinished buildings was EUR 261 thousand (previous year: EUR 2,673 thousand).
- Estimates had to be made for the recognition of current and deferred tax items. There are uncertainties in the interpretation of tax rules, e.g. in respect of the handling of tax loss carryforwards in response to shareholder changes occurring during the year. Differences between the actual results and our assumptions or future changes in our assessments may therefore result in changes in the tax results in future periods.
- As of the reporting date, the carrying amount of current income tax assets was EUR 775 thousand (previous year: EUR 158 thousand), while the carrying amount of current income tax liabilities was EUR 0 thousand (previous year: EUR 0).
- The carrying amount of deferred income tax assets as of the reporting date was EUR 1,197 thousand (previous year: EUR 171 thousand), while the carrying amount of deferred income tax liabilities was EUR 4,998 thousand (previous year: EUR 296 thousand).
- In the case of other provisions, various assumptions must be made, e.g. with regard to the probability of occurrence and the level of utilisation of provisions for litigation risks. All information that was available when the balance sheet was drawn up has been taken into account. As of the reporting date, the amount of other provisions came to EUR 0 thousand (previous year: EUR 0).

5 SEGMENT REPORTING

Segment reporting is governed by IFRS 8 and guided by the existing reports that were drawn up for the Group's management during the past financial year. Note that there is no reporting by geographical region. All of the Group's activities take place in Germany. The individual segments are presented as follows:

- Holding activities / Logistics properties: The "Logistics properties" segment, which was reported separately in the previous year, comprises the range of services offered in the area of logistics properties. In addition to mapping the entire logistics property cycle, it covers services ranging from project development and investment to asset and facility management. In the 2016 financial year, however, this part of the segment was largely inactive. The main tasks of the holding company are currently the procurement and provision of funds to acquire commercial properties. The necessary funds are extended to the subsidiaries both in the form of equity and through shareholder loans. In addition, the holding company takes care of various administrative tasks for the subsidiaries. In order to fulfil its tasks, the holding company also makes use of external service providers.
- Commercial properties: The "Commercial properties" segment, which was newly introduced on 1 January 2015, comprises the letting, acquisition and sale of commercial properties throughout Germany. The objective of letting properties to others and subsequently selling them is to achieve a sustained increase in income. The aim is to increase the value of the properties primarily by increasing the rental income they provide and reducing the existing vacancy rate.
- Residential properties: The "Residential properties" segment comprises the purchase and sale and, to a lesser extent, letting of residential properties throughout Germany. The properties are sold en bloc or as individual units.
- Other activities (other segments): Up to now, this segment has only included the construction and operation of a solar installation, which was divested from the Group's assets in 2016.

External sales are the sale of business units with companies outside the Group. The sales revenue generated by the Logistics properties and Residential properties segments – in line with the presentation in the statement of comprehensive income – contains no income from the temporary letting of properties to others until they are sold. This income is recognised as other operating income.

Interest income and interest expense have been allocated in accordance with the segment liabilities. The operating result as per the statement of comprehensive income is stated as the segment result.

Segment assets comprise all assets of the Group; segment liabilities comprise all provisions and liabilities. Segment investments show all investments in non-current assets. In the "Consolidation" column, income and expenses, or receivables and liabilities, between the segments are eliminated.

Due to the still relatively low rental income achieved for the first time in 2015, the rental income achieved with individual tenants exceeds the threshold values for information on dependencies on individual major customers. Of a total of approx. 62,000 m² of leased commercial space, approx. 47,000 m² are accounted for by two tenants (Siemens AG, Munich, with 8,200 m² = 13.2% and Areva GmbH, Erlangen, with approx. 38,800 m² = 61.3% of total leased commercial space). The rental income generated with these two rents amounted to EUR 3,305 thousand or 75.1% in the year under review, based on all rental income from commercial properties (of which 8.8% with Siemens AG and 66.4% with Areva GmbH).

6 SUPPLEMENTARY NOTES TO THE ITEMS IN THE FINANCIAL STATEMENTS

6.1 INTANGIBLE ASSETS

Changes in intangible assets in the last two financial years were as follows:

in EUR thousand	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
ACQUISITION COSTS			
As of 01/01/2015	776	18	794
Additions	0	0	0
Disposals	0	-9	-9
As of 31/12/2015	776	9	785
Additions	0	17	17
Disposals	0	0	0
As of 31/12/2016	776	26	802
DEPRECIATION AND IMPAIRMENT			
As of 01/01/2015	776	18	794
Additions	0	0	0
Disposals	0	-9	-9
As of 31/12/2015	776	9	785
Additions	0	0	0
Disposals	0	0	0
As of 31/12/2016	776	9	785
CARRYING AMOUNTS			
As of 31/12/2015	0	0	0
As of 31/12/2016	0	17	17

Goodwill originally amounting to EUR 776 thousand was created in the 2010 financial year and resulted from the acquisition of ABK Wohnraum GmbH & Co. KG (Residential properties segment). Goodwill was fully impaired as a result of the impairment test carried out in 2010.

6.2 PROPERTY, PLANT AND EQUIPMENT

The following table shows the changes in property, plant and equipment:

in EUR thousand	SOLAR SYSTEM UNDER CONSTRUCTION	OPERATING AND OFFICE EQUIPMENT	TOTAL
As of 01/01/2015	0	153	153
Additions	0	0	0
Disposals	0	-2	-2
As of 31/12/2015	0	151	151
Additions	0	44	44
Disposals	0	0	0
As of 31/12/2016	0	195	195
DEPRECIATION AND IMPAIRMENT			
As of 01/01/2015	0	103	103
Additions	0	11	11
Disposals	0	-2	-2
As of 31/12/2015	0	112	112
Additions	0	32	32
Disposals	0	0	0
As of 31/12/2016	0	144	144
CARRYING AMOUNTS			
As of 31/12/2015	0	39	39
As of 31/12/2016	0	51	51

6.3 INVESTMENT PROPERTY

In the 2016 financial year, valuation gains amounting to EUR 11,692 thousand (previous year: EUR 1,007 thousand) were recognised in the statement of comprehensive income.

The following overview shows the development of investment properties.

in EUR thousand INVESTMENT PROPERTIES	COMMERCIAL PROPERTIES
As of 01/01/2015	0
Addition through other acquisitions (at cost)	5,475
Market value changes	1,007
As of 31/12/2015	6,482
Addition through other acquisitions (at cost)	103,930
Disposal	-3,806
Market value changes	11,692
As of 31/12/2016	118,298

Of the investment properties, properties with a carrying amount of EUR 116,830 thousand (previous year: EUR 5,294 thousand) were secured by mortgages in the year under review.

The following salient amounts are recognised for the investment properties in the income statement:

in EUR thousand	2016	2015
Rental income	4,398	513
Operating expenses (maintenance expenses, facility management, property taxes, etc.)	-1,007	-236
Total	3,391	277

The operating expenses are predominantly attributable to properties that have been let to others. The expenses attributable to vacant properties are of subordinate importance. In accordance with International Valuation Standards, the fair value of investment properties is determined on the basis of the discounted cash flow method (previous year: German income approach [Ertragswertverfahren] in accordance with Section 194 of the German Construction Code [BauGB] and Sections 17 to 20 of the Property Value Regulation [Immobilienwertverordnung]). A property's future expected rent surpluses are discounted by applying a market-appropriate, property-specific discount interest rate on the valuation date. While as a rule the net rents are used as rental income, the operating expenses consist in particular of the management costs the proprietor must bear.

The following overview shows the fair value of the properties for the Commercial properties segment (the other segments contain no investment properties) and the main assumptions that were applied for the purpose of the valuation technique as described:

	2016	2015
Rental area in m²	62,104	7,904
Market value in EUR thousand	118,298	6,482
Obtainable net base rent (market rent) p.a. in EUR thousand	7,958	700
Actual net base rent (contractual rent) p.a. in EUR thousand (PY: 01/05 to 31/12/2015)	7,149	415
Multiplier for contractual rent or market rent (market value: obtainable or contractual net base rent)	16.3/14.7	9.26/15.6
Vacancy in % (in relation to total area)	8.3	69.0
VALUATION PARAMETERS		
Average maintenance costs p.a. in EUR/m²	7.50	8.86
Administrative costs in % of rental income	1.0	2.0
Non-allocable operating costs in % of rental income	2.0	–
Vacancy costs p.a. in EUR/m²	30.0	–
Structural (permanent) vacancy in %	1.2	23.9
Discount rate in %	5.25-8.25	8.25
Multiplier for resale (year 10 or 11)	14.3-20.0	–
Ancillary acquisition costs for resale in %	4.50-7.0	–
Average remaining useful life in years	–	30

The discounted cash flow method that was used is a multi-period model. Future increases in income and costs are explicitly represented in a ten-year detailed planning period. Differences between the rental income actually generated (contractual rent) and the rental income deemed achievable in the long term (market rent) were calculated together with the change in vacancy, taking into account the letting location and the characteristics specific to the property in question. Reletting costs (tenant improvements, letting commission and the cost of rent-free periods) were factored in on the basis of empirical values. Furthermore, all costs to be borne by the owner were deducted (maintenance and administration costs, vacancy costs, etc.).

The net earnings thus calculated for the detailed planning period (the assumed letting period) were measured to the valuation date, which coincided with the balance sheet date. Following the detailed planning period, a resale value was calculated on the basis of a multiplier applied to the annual net earnings achievable in the long term. Estimated disposal costs (incidental acquisition costs) were deducted from the gross realisable value and the resulting net realisable value was discounted to the valuation date. The present value of the net income for the detailed planning period plus the present value of the net realisable value result in the market value of the respective property.

The assumptions used for the properties' valuation were made by the independent expert on the basis of their professional experience and are fraught with uncertainty. If the discount or capitalisation interest rate is increased by 0.25%, the fair value is reduced by EUR 5,540 thousand; if it is reduced by 0.25%, the fair value is increased by EUR 5,850 thousand. Similar effects result from changes in future rental results, depending on rental income, vacancies, and administrative and maintenance costs. If sustainable rental income changes by +/-5%, the market value of the properties changes by EUR +/-4,600 thousand.

6.4 SHARES IN ASSOCIATES

Changes in shares in associates during the last two years are shown in the following table:

in EUR thousand ASSOCIATES	AMOUNT
As of 01/01/2016	0
Addition through acquisitions (at cost)	704
Addition through profit entitlements	1,204
Disposal through share of loss	-676
As of 31/12/2016	1,232

6.5 INVENTORIES

As of the balance sheet date, the Group's inventories consisted of the remaining residential properties portfolio of ABK Wohnraum and the start-up costs for a planned logistics property. The photovoltaic installation reported in the previous year was sold in 2016.

The financial liabilities related to the residential properties held for sale were repaid in full in the previous year.

In the period under review, inventory costs amounting to EUR 109 thousand (previous year: EUR 821 thousand) were recognised in the statement of comprehensive income (EUR 8 thousand in construction costs for building projects together with EUR 101 thousand in expenses from disposals at carrying amount for properties sold). Impairment losses on inventories (photovoltaic installation) amounted to EUR 0 thousand (previous year: EUR 22 thousand). The sale of the photovoltaic installation resulted in a loss on disposal of EUR 75 thousand. The sale of residential properties resulted in a gain on disposal of EUR 80 thousand.

On the basis of the sales figures for the financial year, the company estimates that most of the inventories will be sold in the next 12 months (previous year: all in 12 months).

6.6 TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

Trade receivables mainly result from rental income. Separate value adjustment accounts are currently not being maintained.

Other current receivables are essentially composed as follows:

in EUR thousand	31/12/2016	31/12/2015
Value-added tax	72	231
Deposit for rented office space	52	52
Prepaid expenses	70	20
Other	2	19
Total	196	322

6.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist to a small extent of cash in hand and mainly bank balances payable on demand.

6.8 EQUITY

Share capital amounted to EUR 21,175,000.00 as of 31 December 2016 and was divided into 21,175,000 individual no-par value bearer shares.

At the Extraordinary General Meeting on 3 March 2016, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the company's share capital by up to EUR 18,150,000.00 by issuing 18,150,000 shares against cash contributions. The new shares were fully placed, with profit-sharing rights beginning on 1 January 2016, at an issue price of EUR 1.05 per share. The EUR 907,500.00 in issuing premiums was allocated to capital reserves pursuant to Section 272(2)(1) of the German Commercial Code (HGB). The EUR 477,242.04 in costs associated with the capital increase was offset against the capital reserves.

At the Extraordinary General Meeting on 3 March 2016, the Executive Board was further authorised to increase the company's share capital by up to EUR 10,587,500.00 by 2 March 2021, with the Supervisory Board's consent, by issuing up to 10,587,500 new bearer shares against cash and/or contributions in kind, all at once or in increments (authorised capital 2016/I). The Executive Board has not made use of this authorisation to date. The previous authorised capital (authorised capital 2012/I) resolved by the Annual General Meeting on 29 August 2012 was cancelled.

In addition, the Executive Board was authorised in the Extraordinary General Meeting of 3 March 2016 to issue, with the Supervisory Board's consent, at one time or in increments, bearer or registered convertible and/or warrant bonds, or a combination of these instruments, in the total nominal amount of EUR 30,000,000.00 with a term of no more than 20 years (bonds) by 2 March 2021. With the Supervisory Board's approval, the Executive Board was authorised to specify in greater detail the particulars of the issue and the structuring of the bonds.

Depending on the terms and conditions of the bonds, the conversion or option rights may be serviced either by new shares from conditional capital, treasury shares or a cash settlement. In order to grant new shares to the bearers of the bonds, the share capital was conditionally increased by up to EUR 10,587,500.00 in new no-par value bearer shares. The conditional capital increase is to be carried out only in so far as the bond holders make use of their conversion or option rights. Further particulars pertaining to the bonds and the conditional capital are contained in the published agenda of the Extraordinary General Meeting of 3 March 2016.
https://gateway-re.de/en/de/hauptversammlung/

The capital reserves recognised as of the reporting date resulted mainly from the share premium from the cash capital increase and the capital increase through contributions in kind, less the costs arising from them.

The accumulated comprehensive income relates to the accumulated and as yet unused Group results of the current financial year and preceding years.

Dividends were not paid out by GATEWAY in the financial year just ended, and so far they are not planned for the current financial year either.

6.9 FINANCIAL LIABILITIES

Financial liabilities are made up as follows:

in EUR thousand	31/12/2016	31/12/2015
CURRENT FINANCIAL LIABILITIES:		
Liabilities to banks	6,018	0
Liabilities from corporate bonds	66	0
NON-CURRENT FINANCIAL LIABILITIES:		
Liabilities to banks	64,829	3,218
Liabilities from corporate bonds	32,612	0
Total	103,525	3,218

The current liabilities have a remaining term of up to 12 months.

They mainly comprise the current portion of liabilities in connection with the acquisition of investment properties. Most of the loans have variable interest rates. Current financial liabilities also include accrued interest for corporate bonds (EUR 66 thousand). The current financial liabilities are collateralised in the amount of EUR 6,018 thousand (previous year: EUR 0 thousand) to the benefit of the lender, with land charges on the properties underlying the financing.

Financing for land and properties held for sale is usually arranged on a short-term basis. The terms of credit (interest rates, repayment) are usually adjusted when the loans are prolonged.

Premiums and interest-free loans were not present as of the reporting date. There were no payment delays or contract breaches to record in respect of financial liabilities in the period under review.

At present, there are no financial liabilities in foreign currencies. As of the reporting date, there are also no interest rate swaps or other derivative financial instruments.

The non-current financial liabilities amounting to EUR 97,441 thousand (previous year: EUR 3,218 thousand) have terms of more than one year. They are collateralised in the amount of EUR 64,829 thousand (previous year: EUR 3,218 thousand) to the benefit of the lender, with land charges on the properties underlying the financing.

6.10 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables are primarily related to the erection or letting of property.

Other current liabilities consisted mainly of the following as of the reporting date:

in EUR thousand	31/12/2016	31/12/2015
Liabilities due to GIMH Capital GmbH (mainly contribution obligations to associated companies)	987	0
Subsidies received	669	869
Liabilities due to CWI Real Estate AG and its subsidiaries	563	718
Employee expenses	320	0
Legal, consulting and audit fees	161	71
Security deposits received	65	35
Value-added tax	60	16
Advance payments received (solar system)	0	2,246
Other	98	46
Total	2,923	4,001

Received rent security deposits have been paid into separate bank accounts and must be returned as usual at the end of the contract.

6.11 DEFERRED TAXES

As of the reporting date, deferred tax assets (EUR 1,197 thousand) and deferred tax liabilities (EUR 4,998 thousand) were recognised in the balance sheet.

Deferred tax assets from tax loss carryforwards are recognised in the amount at which it is probable that the associated tax benefits can be realised through future taxable income.

Of the Group's existing trade tax loss carryforwards of EUR 12,425 thousand (previous year: EUR 4,968 thousand) and corporation tax loss carryforwards amounting to roughly EUR 10,007 thousand (previous year: EUR 2,246 thousand), deferred tax assets have been recognised only to the extent that their realisation can be counted on with sufficient certainty.

Deferred tax assets were recognised as of the reporting date in the amount of EUR 1,197 thousand (previous year: EUR 171 thousand). Deferred tax liabilities (EUR 2,520 thousand for trade tax along with EUR 2,478 thousand for corporation tax and solidarity surcharge) were recognised in the amount of EUR 4,998 thousand (previous year: EUR 296 thousand) based on a fair value adjustment of the investment properties (EUR 4,555 thousand) or other deferred liabilities (EUR 443 thousand).

6.12 SALES

Sales comprise the following:

in EUR thousand	2016	2015
Proceeds from the sale of property held as inventories	2,426	546
Rental income from investment property	4,398	513
Income from services and other sales	25	8
Total	6,849	1,067

6.13 CHANGE IN INVENTORIES

The change in inventories relates to the logistics properties reported under inventories (increase in inventories of EUR 4 thousand) and the photovoltaic installation (decrease in inventories of EUR 2,321 thousand due to disposal).

This item is made up as follows:

in EUR thousand	2016	2015
Increase in inventory through construction activities	4	80
Reduction in inventory through sale	-2,321	0
Total	-2,317	80

6.14 COST OF MATERIALS

The cost of materials reported essentially comprises the construction costs of the properties sold in the respective period as well as expenses for letting the properties held for sale.

6.15 EMPLOYEE EXPENSES

At the end of the reporting period, the Group had seven (previous year: two) and an annual average of four (previous year: two) employees in addition to the members of the Executive Board. Incurred employee expenses are broken down as follows:

in EUR thousand	2016	2015
Salaries	1,012	320
Social security costs and post-employment benefits	56	33
Total	1,068	353

Approximately half of the employer's contribution to statutory social insurance consisted of contributions to statutory pension insurance.

6.16 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses comprise the following amounts:

in EUR thousand	2016	2015
Rental income from property held as inventories	75	100
Income from benefits in kind	9	0
Gain on the disposal of shares in associates	118	0
Other	102	30
Total	304	130

Other operating expenses comprise the following amounts:

in EUR thousand	2016	2015
Futile acquisition costs	3,806	0
Costs for associates	431	0
Legal, consulting and audit fees	350	225
Occupancy costs	179	185
Advertising and travel expenses	115	99
Expenses unrelated to the accounting period	66	66
Selling costs for property	54	52
Insurance, contributions and charges	44	45
Damages for solar system	32	0
Rent for roof space for solar system	26	25
Vehicle costs	19	19
Impairment of receivables	7	3
Other	116	269
Total	5,245	988

6.17 NET INCOME FROM ASSOCIATES

in EUR thousand	2016	2015
Profit share GAM Retail Portfolio Holding	4,121	0
Losses from participation in GAM Retail Portfolio property companies	-676	0
Total	3,445	0

6.18 INCOME TAX EXPENSE

The tax expense reported in the statement of comprehensive income (previous year: tax income) mainly relates to deferred income taxes (previous year: deferred income taxes):

in EUR thousand	2016	2015
Actual income taxes (refund of previous years)	0	-1
Deferred income tax assets	-1,026	-171
Deferred income tax liabilities	4,702	296
Total	3,676	124

The actual taxes are determined in accordance with the tax regulations applicable to the individual companies.
The reconciliation statement of theoretical and actual tax results is presented below:

in EUR thousand	2016	2015
Earnings before income taxes	9,958	-216
Expected tax expense (previous year: tax income)	3,179	-69
Tax effects on		
Tax refunds (–) previous years	0	-1
Tax-free income or non-tax-deductible expenses	91	50
Recognition of deferred taxes from the use of the loss carryforward	-1,026	-171
Non-recognition of deferred taxes on current losses	1,432	315
Actual tax expense (+) or tax income (–)	3,676	124

An effective tax rate of 36.9% is calculated for the financial year from the actual tax expense. The theoretical tax rate is calculated as follows:

in %	2016	2015
Corporation tax	15.00	15.00
Solidarity surcharge	0.83	0.83
Trade tax	16.10	16.10
Tax rate	31.93	31.93

6.19 EARNINGS PER SHARE

As of the reporting date, there were no potentially diluting equity instruments, such as stock options, as there were in the previous year. The undiluted earnings per share were calculated as follows as the ratio of earnings to which the parent company's shareholders are entitled and the average number of shares issued during the financial year:

in EUR	2016	2015
Consolidated earnings according to the statement of comprehensive income (attributable to the parent company's shareholders)	6,281,770.75	-339,929.12
Average number of shares	13,169,110	3,025,000
Undiluted earnings per share	0.48	-0.11

The average number of shares is calculated from the capital increase effected on 10 June 2016 (3,025,000 shares for the period from 1 January to 9 June and 21,175,000 shares from 10 June 2016):

	2016
Ordinary shares	3,025,000
Effect of the shares issued in June 2016	10,144,110
Weighted average of ordinary shares	13,169,110

6.20 CASH FLOW STATEMENT

The cash flow statement was drawn up according to the indirect method. A distinction was made between current business, investment, and financing activities. The amount of cash and cash equivalents recognised as of the reporting date comprises cash in hand and balances with banks.

The following cash flows are contained in the cash flow statement:

in EUR thousand	2016	2015
Interest paid	-3,691	-184
Interest received	23	3
Taxes paid	-617	-563
Taxes received	0	1

6.21 CONTINGENT LIABILITIES

Other financial obligations relevant to the assessment of the financial position consist of operating lease agreements for business premises, motor vehicles and office equipment. Rent and leasing expenses amounting to EUR 780 thousand (previous year: EUR 205 thousand) for operating leases were recognised in the statement of comprehensive income. The following future obligations are the result of non-cancellable operating leases:

in EUR thousand	31/12/2016	31/12/2015
Maturity within one year	156	198
Maturity between 1 and 5 years	624	7
Total	780	205

On 6 March 2014, GATEWAY concluded a purchase agreement for a plot of land in Monsheim with the condition precedent that planning permission be granted to GATEWAY. The purchase price amounts to EUR 5,000 thousand and is expected to fall due in the third quarter of 2017 when planning permission is granted.

The following purchase price obligations result from outstanding purchase agreements for commercial properties as of 31 December 2016:

in EUR thousand COMPANY	PROPERTY	PURCHASE PRICE	ANCILLARY COSTS	ACQUISITION COSTS
Gateway AG	Monsheim plot	5,000	–	5,000
Gateway Vierte	Property Hamburg	8,211	531	8,742
Gateway Fünfte	Property Leipzig	11,702	632	12,334
Gateway Sechste	Property Bad Honnef	2,989	250	3,239
Gateway Achte	Property Neuss	6,746	569	7,315
Gateway Neunte	Property Königs Wusterhausen	2,500	212	2,712
Gateway Zwölfte	Property Wilhelmshaven plant facility	50,000	2,500	52,500
Gateway Dreizehnte	EKZ Abensberg	83	–	83
Gateway Vierzehnte	EKZ Abensberg	25,042	1,252	26,294
Total		107,273	5,946	118,219

In summary, the following financial obligations result from the property purchase agreements that have not yet been settled:

in EUR thousand	31/12/2016	31/12/2015
Maturity within one year	118,219	113,800
Maturity between 1 and 5 years	0	0
Total	118,219	113,800

6.22 TRANSACTIONS WITH RELATED PARTIES (COMPANIES AND PERSONS)

The main business relationships with related parties in the past financial year and the previous year are shown below:

- In 2016, GATEWAY received a project-related loan of EUR 1,323 thousand with an interest rate of 4.25% from Ketom AG, St. Wollerau, Switzerland, which is related to HPI through the same majority shareholder. The loan including interest in the amount of EUR 1,330 thousand was fully repaid in the year under review.
- In 2016, GATEWAY received a project-related loan of EUR 3,800 thousand with an interest rate of 4.25% from Ketom AG, St. Wollerau, Switzerland, which is related to HPI through the same majority shareholder. The loan including interest in the amount of EUR 3,848 thousand was fully repaid in the year under review.
- In 2016, GATEWAY received a project-related loan of EUR 1,640 thousand with an interest rate of 4.25% from Ketom AG, St. Wollerau, Switzerland, which is related to HPI through the same majority shareholder. The loan including interest in the amount of EUR 1,656 thousand was fully repaid in the year under review.
- In 2016, Gateway Verwaltung received a project-related loan of EUR 3,800 thousand with an interest rate of 20% from Ketom AG, St. Wollerau, Switzerland, which is related to HPI through the same majority shareholder. The loan including interest in the amount of EUR 3,857 thousand was fully repaid in the year under review.
- In 2016, Gateway Erste received a project-related loan of EUR 1,640 thousand with an interest rate of 20% from Ketom AG, St. Wollerau, Switzerland, which is related to HPI through the same majority shareholder. The loan including interest in the amount of EUR 1,665 thousand was fully repaid in the year under review.
- HIB, which was dissolved on 12 May 2014, has not had any business activities since then. The company was deleted from the commercial register after the end of the reporting period on 3 August 2016. Liabilities or clearing accounts no longer exist.
- As of 30 June 2016, there were receivables from Gateway Verwaltung from loans of EUR 27,740 thousand and current receivables from interest of 4.25 % in the amount of EUR 416 thousand.
- At the end of the reporting period, there were current receivables from Gateway Erste GmbH from a loan of EUR 3,630 thousand and interest receivables of EUR 167 thousand (4.25%). In addition, there were liabilities from current clearing transactions and the sales tax entity amounting to EUR 207 thousand. By agreement dated 15 December 2015, GATEWAY has declared a postponement of priority vis-à-vis Gateway Erste up to the amount of EUR 70 thousand.
- As of 30 June 2016, there were receivables from loans to Gateway Zweite amounting to EUR 1,057 with an interest rate of 4.25% and from ongoing clearing transactions amounting to EUR 116 thousand. Receivables from clearing transactions bore interest of 3%.
- As of the balance sheet date, there were receivables from ABK totalling EUR 749 thousand, mainly resulting from a loan of EUR 1,400 thousand, which bears interest at 7% per annum. After value adjustments totalling EUR 1,165 thousand (of which EUR 49 thousand in the reporting period), the carrying amount of receivables amounted to EUR 749 thousand as of the balance sheet date. As security for the repayment, HPI concluded a letter of comfort for EUR 750 thousand with GATEWAY on 14 December 2015, in which it undertakes to immediately settle the amount owed for the outstanding receivables at GATEWAY's request.
- Norbert Ketterer is chairman of the Supervisory Board of GATEWAY and the majority shareholder of HPI. At present, Mr Ketterer receives no remuneration for his service as chairman of the Supervisory Board.
- On 11 May 2015, Gateway Zweite took out a loan of EUR 3,250 thousand due on 31 May 2017 in order to finance the Eschborn property. Gateway Real Estate AG is jointly and severally liable to the bank as co-owner.

6.23 GOVERNING BODIES

The following gentlemen were members of the company's Supervisory Board during the financial year:

- Norbert Ketterer, businessman, Wollerau, Switzerland (chairman)
- Thomas Kunze, businessman, Leipzig
- Tomas Suter, chief financial officer, Zurich, Switzerland

The following were appointed members of the Executive Board in the financial year just ended:

- Tobias Meibom, chief financial officer, Hamburg
- Manfred Hillenbrand, chief operating officer, Dreieich (since 1 March 2016)

The Supervisory Board received no remuneration for the year just ended. The total remuneration of the Executive Board for the financial year, including fringe benefits for tax purposes, amounted to EUR 821 thousand (previous year: EUR 273 thousand).

6.24 AUDITOR'S FEES

The fee calculated for the auditor in the financial year for the Group as a whole, amounting in total to EUR 52 thousand (previous year: EUR 54 thousand) comprises fees for financial audit services together with other services and statutory value-added tax. The fee is broken down as follows:

in EUR thousand ASSOCIATES	AMOUNT
Financial audit services	27
Other assurance services	25
Tax consulting services	0
Other services	0
Total	52

6.25 OWNERSHIP INTERESTS REPORTED IN ACCORDANCE WITH SECTION 20 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

HPI Helvetic Private Investments AG, Wollerau, Switzerland, notified the company by letter of 13 September 2011, received on 15 September 2011, that it holds a majority interest in the company pursuant to Section 20(4) AktG. In a further letter dated 21 June 2016, HPI informed us that it no longer holds a majority interest in the company pursuant to Section 20(5) AktG. As a result, there was only a dependency relationship with HPI for the first six months of the 2016 financial year.

6.26 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

The transfer of benefits and liabilities of the shopping centre in Abensberg, which Gateway Vierzehnte acquired in December 2016 with a notarised purchase agreement, took place with the payment of the purchase price in mid-February 2017.

The Executive Board contract with Executive Board member Tobias Meibom was extended ahead of schedule on 23 March 2017 for a further three years until November 2020.

Frankfurt am Main, 01 June 2017

(The Executive Board)

AUDIT REPORT

To Gateway Real Estate AG, Frankfurt am Main:

We have audited the consolidated financial statements prepared by Gateway Real Estate AG, Frankfurt am Main, comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the financial year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a(1) of the German Commercial Code (HGB) are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the German generally accepted standards for the audit of financial statements as promulgated by the Institute of Public Auditors in Germany (IDW). According to these provisions and standards, an audit must be planned and conducted in such a way that inaccuracies and violations materially affecting the presentation of net assets, financial position and results of operations conveyed by the consolidated financial statements in observance of the applicable accounting rules and by the Group management report are detected with sufficient certainty. Knowledge of the Group's business operations and its economic and legal environment, together with expectations of possible misstatements, are taken into account when the auditing procedures are determined. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit comprises an assessment of the annual financial statements of the companies included in the consolidated financial statements, of the basis of consolidation, of the accounting and consolidation principles applied, and of the legal representatives' material estimates together with an evaluation of the overall presentation of the consolidated financial statements and Group management report. We believe that our audit constitutes a sufficiently reliable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a(1) HGB and IFRS overall, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, is in compliance with the statutory rules, conveys as a whole an accurate picture of the Group's position, and accurately describes the opportunities and risks of its future development.

Nuremberg, 01 June 2017

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Danesitz	Wittstadt
Auditor	Auditor

SUPERVISORY BOARD REPORT

Dear shareholders,
ladies and gentlemen,

Gateway Real Estate AG implemented its new strategic orientation in the past 2016 financial year, which was aimed at acquiring further commercial properties with sustainable rental income, adding them to its portfolio and developing or increasing their value. This went hand in hand with efforts to position the company as a competitor in the commercial property market and as a listed real estate company. The Supervisory Board has performed its advisory and monitoring duties required by law and the Articles of Association during the 2016 financial year, and has worked closely with the Executive Board to support its operational activities during this dynamic process.

As required by Section 171 AktG, the Supervisory Board of Gateway Real Estate AG presents the following report for the financial year 2016 to the Annual General Meeting.

1. MEETINGS AND OTHER RESOLUTIONS

In the 2016 financial year, the Supervisory Board met four times for resolutions on 18 January 2016, 9 May 2016, 24 August 2016 and 1 November 2016, which were partly held in meetings and partly by telephone within the scope of telephone conferences. All members of the Supervisory Board and Executive Board were present at all meetings.

Some resolutions were passed by circulation during the reporting period.

2. REPORT OF THE SUPERVISORY BOARD ON ITS ACTIVITIES

The Executive Board has reported to the Supervisory Board regularly, comprehensively and in a timely manner all relevant issues of operating policy, future plans, developments within the company, its economic position, equity, and profitability of transactions at the level of Gateway Real Estate AG and the Group as a whole.

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

3. FOCUS OF MONITORING AND ADVISORY ACTIVITIES

The Supervisory Board was kept informed about the progress of the company's development in each of the four meetings and telephone conferences at which resolutions were passed and discussed factual issues and any measures requiring approval together with the Executive Board. The Supervisory Board also passed resolutions during extraordinary telephone conferences or by written circulation when time was of the essence.

In a resolution adopted by telephone on 18 January 2016, the members of the Supervisory Board unanimously approved the proposal of the Executive Board to hold an Extraordinary General Meeting.

In the telephone conference held on 09 May 2016, the Supervisory Board discussed in detail and resolved to approve the annual and consolidated financial statements for the year ended 31 December 2015 and the management and Group management reports for the 2015 financial year. The Executive Board's report on relationships with affiliated companies in 2015 as per Section 312 AktG was also discussed.

In addition, the Executive Board reported on the 2016 financial year, which included in particular the status of the securities prospectus, the addition of new staff, the status of the properties acquired but not yet transferred in Bad Waldsee and Erlangen, and the other planning measures for the 2016 financial year.

At the ordinary meeting of the Supervisory Board on 24 August 2016, the activities relating to potential new properties and the establishment of a separate asset management team were discussed.

In the resolution adopted by telephone on 1 November 2016, the Supervisory Board again dealt with the potential new properties intended to further expand the company's portfolio.

In addition, circular resolutions were passed, such as on 25 February 2016 on the appointment of Manfred Hillenbrand as member of the Executive Board, on 9 June 2016 on the approval of the capital increase and on 1 July 2016 on the approval of the issue of a bond.

4. AUDIT ASSIGNMENTS FOR THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

Following the election of the auditor at the Annual General Meeting on 24 August 2016, the Supervisory Board of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft (Rödl & Partner GmbH), Nuremberg, commissioned the audit of the annual and consolidated financial statements of Gateway Real Estate AG as of 31 December 2016. By law, the audit also included an audit of the Executive Board's report on relationships with affiliated companies in accordance with Section 312 AktG for the 2016 financial year.

5. RESULT OF THE SUPERVISORY BOARD'S EXAMINATION OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT, THE EXECUTIVE BOARD'S REPORT ON RELATIONS WITH AFFILIATED COMPANIES PURSUANT TO SECTION 312 AKTG, THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The Executive Board prepared the annual financial statements and management report for the 2016 financial year in accordance with the provisions of the German Commercial Code ((HGB). The consolidated financial statements and Group management report for Gateway Real Estate AG for the same period were prepared in accordance with International Financial Reporting Standards (IFRS). These were audited by Rödl & Partner GmbH, who issued an unqualified audit report for both.

The aforementioned documents, the Executive Board's report on relationships with affiliated companies pursuant to Section 312 AktG and the auditor's reports were sent to all members of the Supervisory Board in good time prior to the meeting on 6 June 2017 to approve the financial statements. A representative of the auditor joined the Supervisory Board's teleconference meeting, where both the Supervisory Board and the Executive Board met to approve the financial statements and discuss these documents in detail. The auditor reported on the findings of their audit and answered all questions posed to them by the Supervisory Board.

Following its own review, the Supervisory Board has come to the conclusion that there are no objections to be raised, and has therefore approved the annual and consolidated financial statements for the 2016 financial year. Pursuant to Section 172 AktG, the annual financial statements for the 2016 financial year are thus established.

The auditor issued the following audit certificate for the report prepared by the Executive Board on relationships with affiliated companies for the 2016 financial year in accordance with Section 312 AktG:

"Based on our audit and opinion as required by law, we confirm that
1. the factual statements made in the report are correct,
2. in the legal transactions listed in the report, the payments made by the company were not unreasonably high."

According to the final result of the Supervisory Board's own examination, there are no objections to the Executive Board's report on relationships with affiliated companies for the 2016 financial year in accordance with Section 312 AktG.

The Supervisory Board would like to thank the directors and all staff for their commitment and service during the reporting period.

For and on behalf of the Supervisory Board

Frankfurt, Germany, June 2017

Norbert Ketterer
Chairman of the Supervisory Board

GATEWAY REAL ESTATE AG

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