INTERIM REPORT
AS OF MARCH 31, 2019

GATEWAY
REAL ESTATE

AT A GLANCE

Key financial indicators

in Tsd. €	**01.01.– 31.03.2019**	01.01.– 31.03.2018
Sales revenues	11,611	3,028
Change in investment real estate value	1,770	
EBIT (adjusted)	7,021	5,271
Consolidated result	-2,831	-1,246
Earnings per share	-0.02	-0.08
	31.03.2019	31.12.2018
Balance sheet total	774,282	798,616
Equity	145,535	**148,425**

ABOUT US

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

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

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Dear shareholders.
Ladies and Gentlemen.

The year 2019 was as successful as it was intense for Gateway Real Estate AG. After we had laid the groundwork for an expansion of our business model in the past year, we started to implement the new strategy in practice in the first quarter.

GATEWAY is now one of the leading developers of commercial and residential properties in Germany. Shortly after the end of the first quarter, we expanded our comprehensive development pipeline to a gross development volume (i.e. the gross value of all our committed development projects) of €4.1 billion. For example, we will develop a technology campus for the U.S. IT and advisory group IBM in Stuttgart. The campus will provide space for 3,500 employees on around 42,000 sqm. The completion of this lighthouse project is scheduled for the year 2021. This is complemented by potential development projects in the amount of approximately €1.4 billion. We have entered into the negotiation stage as regards forward sales for several of our development projects. This involves the sale of properties developed based on building permits to investors prior to completion. We generate revenues based on the progress of the construction activities upon the conclusion of a forward sales contract.

We sold three properties from our inventory portfolio in the first quarter, and we have concluded attractive letters of intent for several additional properties and started intense negotiations with potential buyers. Accordingly, we expect that the sales transactions will be completed during the course of the year.

We also achieved encouraging success in the financing area and our capital market presence, respectively. For example, we changed the listing of our share from the Stuttgart Stock Exchange to the Prime Standard of the Frankfurt Stock Exchange. Accordingly, we are now listed in the highest quality segment in Germany. This increases the visibility of our share for domestic and international investors. The change was the first successful IPO in the Prime Standard in this year. At the same time, we announced a capital increase. For this purpose, 10 per cent from authorized capital was available to us, which we were able to place with institutional investors from Germany and other countries. The corporate action was met with high demand despite a challenging market environment. The proceeds from the capital increase will enable us to accelerate our future growth and improve our financing structure. For this purpose, we have already redeemed loans from interim financing for an amount of approximately €50 million and thus reduced our interest expenses by a high single-digit million amount. We use interim financings, for example, to acquire land for future projects or within the scope of project developments until they are refinanced by forward sales or sales.

In connection with the capital increase, our majority shareholder also sold shares in its holding. We now have a free float of around 25 per cent, which increases the liquidity of the share and improves its tradability. Our group of shareholders was significantly expanded accordingly. Apart from domestic and European investors, we were also able to convince overseas investors of the GATEWAY's business model on a road show in New York.

The adjustment of our business model and the successful capital market transactions represent important steps in a successful future and future growth of GATEWAY. We continue to see high demand for commercial and residential properties in the top 7 cities and in the high-growth metropolitan regions in Germany. We want to continue to benefit from this high demand. Thanks to our successful operating subsidiaries and an established network for all project development stages – the acquisition of land and the sale of development projects – we are well prepared to follow this path.

Following the increased focus on project business. our revenues are more strongly influenced by the sale and the transfer of projects. Depending on the relevant date of sale or transfer of projects, quarterly earnings can vary substantially quarter-on-quarter. In line with our planning, no projects were completed or transferred during the first quarter. Accordingly, the adjusted EBIT amounted to €7,021 thousand. Sales of development projects and inventory properties as well as the associated revenues are, in turn, expected to occur during the year.

Yours sincerely,

Manfred Hillenbrand　　Tobias Meibom

CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2019

IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF MARCH 31, 2019

ASSETS

in € thousand	Note	31.03.2019	31.12.2018
Non-current assets			
Intangible assets	6.1	39,897	39,900
Property, plant and equipment		3,238	469
Investment properties	6.2	98,530	238,197
Investments accounted for using the equity method	6.3	34,027	35,668
Other non-current financial assets		6,366	9,570
Deferred tax assets		2,900	4,826
		184,958	**328,630**
Current assets			
Inventories	6.4	351,002	342,736
Trade receivables		1,484	1,810
Current income tax receivables		635	652
Other financial assets		13,071	11,740
Other non-financial assets		3,702	3,527
Cash and cash equivalents	6.5	36,904	73,931
Assets held for sale	6.6	182,526	35,590
		589,324	**469,986**
		774,282	**798,616**

EQUITY AND LIABILITIES

in € thousand	Note	31.03.2019	31.12.2018
Equity			
Subscribed capital	6.7	169,785	169,785
Additional paid-in capital	6.7	-73,266	-73,266
Accumulated comprehensive income	6.7	46,242	49,313
Non-controlling interests	6.7	2,774	2,593
		145,535	**148,425**
Non-current liabilities			
Other non-current provisions		562	639
Non-current financial liabilities	6.8	298,309	398,449
Deferred tax liabilities		16,943	22,831
Other non-current financial liabilities		2,353	
Other non-current non-financial liabilities		5	5
		318,172	**421,924**
Current liabilities			
Other current provisions		3,993	3,619
Current financial liabilities	6.8	188,121	191,663
Current income tax liabilities		4,552	4,263
Trade payables		9,140	10,587
Other financial liabilities		2,275	3,137
Other non-financial liabilities		2,734	14,998
Liabilities directly connected with assets held for sale	6.9	99,760	
		310,575	**228,267**
		774,282	**798,616**

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2019

in € thousand	Note	**01.01.– 31.03.2019**	01.01.– 31,03,18
Revenues	6.10	11,611	3,028
Changes in inventory	6.11	8,266	6,898
Other operating income	6.13	956	58
Gross profit		**20,833**	**9,984**
Cost of materials	6.12	-8,245	-1,868
Personnel costs		-2,500	-1,850
Result from the fair value adjustment of investment properties		1,770	
Amortization of intangible assets and depreciation of property, plant and equipment		-150	-15
Other operating expenses	6.13	-4,711	-980
Operating profit		**6,997**	**5,271**
Share in the profit (loss) of investments accounted for using the equity method, after taxes		24	
Interest income		212	107
Interest expenses		-9,566	-6,606
Financial result	**6.14**	**-9,330**	**-6,499**
Profit (loss) before income taxes		**-2,333**	**-1,228**
Income taxes	6.15	-498	-18
Consolidated profit (loss)		**-2,831**	**-1,246**
Other comprehensive income			
Total comprehensive income		**-2,831**	**-1,246**
thereof attributable to shareholders of the parent company		-2,836	-1,601
thereof attributable to non-controlling interests		5	355
Earnings per share (basic)	6.16	-0.02	-0,08
Earnings per share (diluted)	6.16	-0.02	-0,08

IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2019

in € thousand	Note
Balance as of 31.12.2017	
Loss	
Other	
Balance as of 31.03.2018	
Balance as of 31.12.2018	
Loss	
Other	
Balance as of 31.03.2019	

	Equity attributable to shareholders of the parent company					
	Subscribed capital	Additional paid-in capital	Accumulated comprehensive income	Total	Non-controlling interests	Total equity
	21,175	**-20,601**	**16,173**	**16,747**	**405**	**17,152**
			-1,601	-1,601	355	-1,246
	21,175	**-20,601**	**14,572**	**15,146**	**760**	**15,906**
	169,785	**-73,266**	**49,313**	**145,832**	**2,593**	**148,425**
			-2,836	-2,836	5	-2,831
			-235	-235	176	-59
	169,785	**-73,266**	**46,242**	**142,761**	**2,774**	**145,535**

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2019

in € thousand	Note	01.01.– 31.03.2019	01.01.– 31.03.2018
Cash flows from operating activities			
Profit		-2,831	-1,246
Adjustments for:			
Depreciation of property, plant and equipment		146	14
Amortization of intangible assets		3	
Impairment of trade receivables		14	
Changes in fair value of non-current assets held for sale (properties)		-1,770	
Share in the profit (loss) of investments accounted for using the equity method, after taxes		-24	
Net financing expense		9,554	6,499
Profit (loss) from the sale of investments accounted for using the equity method		-465	
Profit (loss) from the sale of other financial assets		-832	
Tax expenses		497	18
Changes in:			
Inventories		-7,434	-33,289
Trade receivables and other receivables		4,017	4
Non-financial assets		-257	-322
Trade payables and other payables		5,849	-2,559
Non-financial liabilities		-12,008	474
Other provisions as well as assets and provisions for employee benefits		297	219
Cash inflow from operating activities		-5,244	-30,188
Interest paid		-2,049	-3,626
Income taxes received		218	
Income taxes paid		-217	-9

in € thousand	Note	**01.01.– 31.03.2019**	01.01.– 31.03.2018
Cash flows from operating activities		**-7,291**	**-33,823**
Cash flows from investing activities			
Interest received		237	107
Cash inflows from the sale of investments accounted for using the equity method		400	
Cash inflows from the sale of non-current assets held for sale (properties)		7,300	
Purchase of property, plant and equipment		-130	-2
Purchase of other financial assets		-2,581	-2,427
Cash flows from investing activities		**5,226**	**-2,322**
Cash flows from financing activities			
Cash inflows from other financial liabilities		6,255	76,262
Fees for financial liabilities not utilized		-51	-464
Repayment of borrowings		-32,058	-34,894
Cash flows from financing activities		**-25,854**	**40,904**
Net decrease in cash and cash equivalents		**-27,919**	**4,759**
Change in cash and cash equivalents due to consolidation group		-9,108	0
Cash and cash equivalents as of January 1		73,931	14,504
Cash and cash equivalents as of March 31		**36,904**	**19,263**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2019

1. REPORTING ENTITY

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

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

The shares of GATEWAY are traded at the Frankfurt Stock Exchange. Therefore, GATEWAY is an exchange-listed or publicly-traded company within the meaning of stock corporation and commercial law.

The interim consolidated financial statements as of March 31, 2019 were prepared by the Management Board on May 31, 2019 and released for publication.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 GENERAL INFORMATION

The present condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The Company's interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable as of March 31, 2019 (including the interpretations of the IFRS Interpretations Committee), as they have been endorsed by the European Union.

The requirements of IFRS were completely fulfilled and lead to the presentation of a true and fair view of the Group's financial position, cash flows and financial performance. The statement of comprehensive income is structured on the basis of the cost of sales method. In accordance with the accrual principle, expenses and income are attributed to the respective periods regardless of when they were paid or received.

The financial statements were generally prepared on the basis of historical cost, except for investment properties and derivatives which are measured at fair value.

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

GATEWAY prepares its interim consolidated financial statements in euro (€). Since the euro is the currency of the primary economic environment in which GATEWAY and its subsidiaries operate, the euro is their functional currency. Amounts are always stated in thousands of euros (€ thousand). The presentation in thousands of euros may result in rounding differences, both in the tables presented in the notes to the financial statements and in the comparison of values in the notes to the financial statements with other elements of the financial statements.

The interim consolidated financial statements are to be read in conjunction with the audited and published IFRS consolidated financial statements as of December 31, 2018 and the notes included therein. The accounting policies used by the Group for the present interim consolidated financial statements generally correspond to the policies applied in the 2018 consolidated financial statements.

2.2 FIRST-TIME APPLICATION OF IFRS 16

In the 2019 financial year, IFRS 16 Leases, which was issued in January 2016 by the IASB, is applied for the first time. IFRS 16 supersedes the previous standards on leases, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases: Incentives, and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

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

The right-of-use assets are reported in the items of the statement of financial position in which the assets underlying the lease agreement would have been reported if they had been owned by GATEWAY. Therefore, the right-of-use assets are reported mainly in the item "Land and buildings." The right-of-use asset generally corresponds to the present value of all outstanding lease payments, including any lease payments made at or before the provision of the asset, initial direct costs as well as any potential costs for dismantling and removing the asset. Any lease incentives have to be deducted from the calculated right-of-use asset. Upon the date of first-time application, there is no knowledge as regards any potential future costs for dismantling and removing the asset, and the direct costs are not taken into account as of the date of first-time application (IFRS 16 C10(d)). The capitalized right-of-use asset is depreciated over the lease term, less any potential impairment losses.

The initial measurement of the lease liability is based on the present value of the lease payments not yet made as of the date of first-time application in relation to leases that were classified as operating leases in accordance with IAS 17. The lease payments are discounted using the incremental borrowing rate applicable as of the date of first-time application, with such incremental borrowing rate taking into account the term of the individual asset classes as well as the risks associated with the business model.

The accounting treatment at the lessor largely corresponds to the former rules set out in IAS 17. As previously, lessors continue to classify leases in finance and operating leases on the basis of the allocation of risks and rewards. The introduction of IFRS 16 did not lead to an adjustment of the original classification.

GATEWAY accounts for leases for the first time as of January 1, 2019 using the modified retrospective method. In this context, prior-year figures are not adjusted in line with the transitional provisions.

GATEWAY applies the following elections and judgments provided by IFRS 16 upon the transition to the new standard:

- Upon the date of first-time application, there was no reassessment whether an arrangement is or contains a lease. Instead, IFRS 16 was applied to arrangements that were previously classified as leases in accordance with IAS 17 and IFRIC 4.
- The lease liability for the lease agreements previously classified as operating leases in accordance with IAS 17 is recognized at the present value of the outstanding lease payments and discounted using the incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate was 1.61%. The related right-of-use asset is generally recognized in an amount equal to the lease liability. An exception applies for contractual relationships that contain prepaid lease payments.
- Leases that terminate no later than December 31, 2019 are accounted for as short-term leases, irrespective of the original lease term.
- Right-of-use assets and lease liabilities were not recognized for lease agreements with a term of up to twelve months (short-term leases). The lease payments associated with such leases are recognized as an expense. The simplification rule for leases regarding low-value assets has not been applied.
- A review regarding any potential impairment is not conducted. Instead, by way of simplification, the provisions recorded as of December 31, 2019 are reviewed whether any potential onerous leases exist.
- The initial direct costs are not taken into account in the measurement of the right-of-use asset as of the date of first-time application.
- When determining the term and the lease payments, current knowledge is taken into account to assess whether there are any renewal or termination options.

Within the context of the first-time application of IFRS 16, right-of-use assets were capitalized in the amount of the lease liability, in accordance with the option.

The following table shows the carrying amounts of the right-of-use assets as of March 31, 2019:

in € thousand	**31.03.2019**
Right-of-use assets in land (heritable building right)	94
Right-of-use assets in buildings and leasehold improvements	2,503
Right-of-use assets in motor vehicles and multi-mode devices	187
Right-of-use assets from leases	**2,784**

Upon the introduction of IFRS 16, any lease payments previously recognized as expenses at the lessee are capitalized as right-of-use assets, leading to a reduction of operating expenses and an increase in depreciation and interest expenses. This results in an immaterial effect on EBIT adjusted in the first quarter.

3. CLASSES OF FINANCIAL INSTRUMENTS

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

					31.03.2019
	Carrying amounts				Fair value
in € thousand	Mandatorily at FVtPL	FVtOCI equity instruments	Financial assets – AmC	Other financial liabilities – AmC	
Financial assets measured at fair value					
Equity investments		480			480
Embedded derivatives	2,690				2,690
Financial assets not measured at fair value					
Trade receivables			1,484		1,484
Loans			3,889		3,889
Security deposits for leased office space			82		82
Miscellaneous other financial assets			12,297		12,297
Cash and cash equivalents			36,904		36,904
Financial liabilities measured at fair value					
Limited partners' share, non-controlling interests	151				151
Financial liabilities not measured at fair value					
Liabilities to banks				206,899	206,899
Liabilities to related companies				115,996	116,198
Liabilities to third parties from corporate bonds				144,903	156,931
Loan liabilities to third parties				18,706	18,706
Trade payables				9,140	9,140
Other financial liabilities				2,275	2,275

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

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

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

Level 1: Quoted prices in active markets for identical assets or liabilities (unadjusted);
Level 2: inputs other than the quoted prices applied in Level 1, which are, however, observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
Level 3: Factors considered for measuring the asset or liability that are not based on observable market data (unobservable inputs)

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

Measurement is performed by way of an option price model generally accepted for this type of transaction, in the form of a binomial model. There was no change of measurement method in the reporting period. Model inputs include the relevant contractual terms such as the term, interest rate, relevant exit fees where applicable, the notional volume, etc. Volatilities that are observable and are therefore assigned to Level 2 as described above are considered as well. In addition, the measurement includes an anticipated refinancing rate that is assignable to Level 3 because it was derived from a peer group comparison. Financial liabilities with a carrying amount that does not approximate fair value are measured on the basis of information and input factors of Level 2 described above.

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

There were no transfers between levels in the reporting period.

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

in € thousand	Derivative financial instruments
Balance as of 01.01.2018	**4,361**
Losses recognized in interest expenses	-2,917
Additions	2,627
Balance as of 31.12.2018	**4,071**
Losses recognized in interest expenses	-1,381
Additions	
Balance as of 31.03.2019	**2,690**

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

Derivative financial instruments

	Profit or loss	
in € thousand	Increase	Decrease
Balance as of 31.12.2018		
Anticipated fair market refinancing rate (1% change)	-853	1,095
Balance as of 31.03.2019		
Anticipated fair market refinancing rate (1% change)	-837	994

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

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

- With respect to the properties held by the Group, the Management Board must decide at every reporting date whether they should be held on a long-term basis to earn rentals or for capital appreciation or both or for sale. Depending on this decision, the properties are accounted for as land with unfinished and finished buildings intended for sale (inventories) or as non-current assets intended for sale, in accordance with the principles for investment properties, and measured at (amortized) cost or fair value, depending on the classification. We refer to Notes 6.2 and 6.5.
- The market values of investment properties are based on the results of independent experts engaged for this purpose. The appraisals are conducted in accordance with the discounted cash flow method based on expected future revenue surpluses (procedure of Measurement Level 3). Accordingly, factors such as future rental income and the valuation interest rate to be applied, which have a direct effect on the fair values of the investment properties, are estimated by GATEWAY in collaboration with the appraiser. We refer to Note 6.2.
- Estimates must be made for the recognition of current and deferred taxes. There are uncertainties related to the interpretation of tax regulations, including for example with respect to the treatment of tax loss carry-forwards when ownership changes during a financial year. Therefore, differences between the actual results and our assumptions or future changes in our estimates can lead to changes of the taxable profit in future periods. In addition, the utilization of deferred tax assets requires future tax results, unless deferred tax liabilities of at least the same amount are also attributable to a tax unit. We refer to Note 6.15.
- There is scope for discretion in determining the time and amount of revenue recognition in accordance with the principles of IFRS 15. If a binding sales contract already exists for a property under development, revenue recognition based on a time period in accordance with the estimated stage of completion can also be considered in addition to revenue recognition based on a specific point in time. This applies accordingly to revenue recognition for undertakings included in the financial statements using the equity method. We refer to Notes 6.3 and 6.10.
- The fair value of derivative financial instruments is estimated on the basis of an option price model recognized for this type of transaction, in the form of a binomial model. We refer to Note 3.

5. SEGMENT REPORT

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

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

- **Standing Assets:** This segment covers a profitable and diverse portfolio of existing properties. This portfolio comprises properties acquired prior to the acquisition of Development Partner AG in October 2018. The segment revenues consist primarily of rental income from the 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, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart) and selected metropolitan areas such as Nuremberg.
- **Residential Properties Development:** In the Residential Development segment, the Group concentrates on development activities in selected metropolitan regions in Germany, normally cities with a population of at least 100,000, such as Dresden, Berlin, Erfurt, Frankfurt am Main, Leipzig and Munich. The focus here is on the new construction of medium-sized apartment buildings for modern living and mixed-use properties and real estate. Joint ventures with local project developers and general contractors are regularly established in this segment. In future, however, the Group wants to develop the majority of its assets on its own. Although the size of the segment does not require any separate reporting, it has been included because it is considered a potential growth segment, which will make considerable contributions to the group's revenues in future.

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

Approximately 47% of revenues with third parties (external revenues) originate from rental revenues from investment properties (Standing Assets segment) and rent revenues from inventory properties (Commercial Properties Development segment).

					31.03.2019
in € thousand	**Standing Assets**	**Commercial Properties Development**	**Residential Properties Development**	**Consolidation**	**Group**
Revenues with third parties (external revenues)	10,259	1,352			11,611
Intersegment revenues (internal revenues)					
Revenues	**10,259**	**1,352**			**11,611**
Segment result (operating profit)	2,438	4,195	362	2	6,997
Financial result					-9,330
Profit (loss) before income taxes					-2,333

					31.03.2018
in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
Revenues with third parties (external revenues)		3,028			3,028
Intersegment revenues (internal revenues)					
Revenues		**3,028**			**3,028**
Segment result (operating profit)		5,271			5,271
Financial result					-6,499
Profit (loss) before income taxes					-1,288

The goodwill acquired within the framework of the reverse acquisition of GATEWAY by Development Partner AG in the amount of €39,881 thousand has not yet been allocated and is therefore reported in the column "Assets not allocated."

						31.03.2019
in € thousand	**Standing Assets**	**Commercial Properties Development**	**Residential Properties Development**	**Asset not allocated**	**Consolidation**	**Group**
Segment assets	317,582	355,860	72,503	39,881	-11,545	774,282
Segment liabilities	245,813	318,875	70,544		-6,486	628,747

						31.12.2018
in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Asset not allocated	Consolidation	Group
Segment assets	354,443	345,711	69,624	39,881	-11,043	798,616
Segment liabilities	**282,958**	**306,481**	**66,820**		**-6,070**	**650,189**

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

6.1 INTANGIBLE ASSETS

Intangible assets can be broken down as follows:

in € thousand	**31.03.2019**	31.12.2018
Goodwill	39,881	39,881
Other intangible assets	16	19
	39,897	**39,900**

By way of an agreement dated July 9, 2018 and taking effect as of October 5, 2018, SN Beteiligungen Holding AG contributed the shares in Development Partner AG into GATEWAY and, as consideration, acquired 148,610,491 shares in the Company. This reverse acquisition led to the goodwill reported under intangible assets.

There has not yet been an allocation of the goodwill acquired within the context of the reverse acquisition of GATEWAY by Development Partner (€39,881 thousand). This corresponds to the provisional purchase price allocation, which has not been completed, but instead has to be considered provisional within the meaning of IFRS 3.45 et seq. since the investment properties (in particular the April portfolio, which was added only shortly before the reverse acquisition) were only measured on a provisional basis. This is due to the fact that, on the one hand, not all of the information relevant for an appropriate fair value measurement is currently available and, on the other hand, the integration of the companies is not yet completed.

6.2 INVESTMENT PROPERTIES

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

in € thousand	
Balance as of 31.12.2018	**238,197**
Reclassifications to assets held for sale	-139,667
Balance as of 31.03.2019	**98,530**

The reclassification to the item “Non-current assets held for sale” refers to properties of the following companies:

Company

- GTY 1te Düsseldorf KG
- GTY 1te Siegen KG
- GTY 1te Bünde KG
- GTY 1te Dresden KG
- GTY 1te Duisburg KG
- GTY 1te Hagen KG
- GTY 1te Hildesheim KG
- GTY 1te Kassel KG
- GTY 1te Lübeck KG
- GTY 1te Lüdenscheid KG
- GTY 1te Lünen KG
- GTY 1te Minden KG
- GTY 1te Oberhausen KG
- GTY 1te Pfronten KG
- GTY 1te Rosenheim KG
- GTY 1te Stralsund KG
- GTY 1te Wuppertal KG
- GTY 15te Hamm KG
- GTY 15te Kassel KG
- GTY 15te Dresden KG

For these properties, a sale within twelve months is deemed highly probable or sales contracts exist. These properties are already being actively marketed, which is very promising due to the specific market situation for these properties. The sale prices were used for properties for which a sale agreement already exists. The values determined in the context of the appraisal as of December 31, 2018 were used for the remaining properties. Overall, this procedure did not lead to any fair value adjustments for the remaining properties.

In order to better estimate the effects from the future disposal of held-for-sale assets on income and expenses from operating activities, significant amounts recognized in the statement of profit or loss for the investment properties remaining as of March 31, 2019 are presented as follows:

in € thousand	**01.01–31.03.2019**
Rental revenues	1,390
Revenues from operating costs	416
Administration costs (operating costs, maintenance, administration, etc.)	-712
	1,094
Thereof fair value Level 3	1,094
Thereof fair value Level 2	

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

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

6.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

in € thousand	Associates	Joint ventures	Total
Balance as of 31.12.2018	**12,787**	**22,881**	**35,668**
Disposals		-1,665	-1,665
Share in the profit (loss) of investments accounted for using the equity method	435	-411	24
Balance as of 31.03.2019	**13,222**	**20,805**	**34,027**

Upon the acquisition of the shares in LE Quartier 1 KG, a variable purchase price component was agreed which was based on the generated margin for certain forward sales agreements and was allocated to the relevant assets within the scope of acquisition accounting on the basis of relative fair values of the relevant assets. If revenue is recognized subsequently in the consolidated financial statements of LE Quartier 1 KG in connection with the margins of the corresponding projects, the subsequent recognition under the equity method results in a reversal of amounts already recognized regarding the purchase price components. As a result, these realized margins are therefore no longer accounted for in full as shares in the profit or loss of investments accounted for using the equity method.

6.4 INVENTORIES

The Group's inventories as of the reporting date consisted of the capitalized construction costs (including construction period interest) of inventory properties, which are measured at the lower of amortized cost or net realizable value in accordance with IAS 2. Construction period interest in the amount of €6,459 thousand were capitalized as part of the construction costs in the first quarter of 2019.

The total carrying amount of all inventory properties as of the March 31, 2019 total €351,002 thousand. Due to its focus on developing properties and the related sale of multiple inventory properties, the Group has further expanded its inventories. The inventory properties mainly consist of Projektentwicklung Breite Gasse GmbH (€84,308 thousand), Immobilienbeteiligungsgesellschaft am Kennedydamm mbH (€70,119 thousand) and Projektentwicklung Michaelkirchstraße GmbH (€41,279 thousand).

The development of inventories is presented in the table below:

in € thousand	31.03.2019	31.12.2018
GTY 1te Bochum GmbH & Co. KG		4,068
Imm.Bet.Ges. Kennedydamm mbH	70,119	68,678
Immobiliengesellschaft Kennedydamm KG		
PE Breite Gasse GmbH	84,308	81,809
PE Rudolfplatz GmbH	32,822	30,819
PE Brotstraße GmbH	4,148	4,078
PE Uerdinger Str. Office GmbH	15,711	15,283
PE Uerdinger Str. Residential GmbH	2,436	2,427
PE Michaelkirchstr. GmbH	41,279	41,188
PE Michaelkirchstr. Bet.Ges. mbH	6,379	4,754
PE Himmelgeister Straße I GmbH	2,947	2,377
PE Himmelgeister Straße II GmbH	1,607	1,606
MUC Airport Living GmbH	14,737	12,367
Gew.Park Neufahrn GmbH	17,901	17,732
Bet.Ges. Berlin-Heinersdorf 18 GmbH	30,332	30,238
Movingstairs GmbH	6,884	6,884
PE Taunusstr. 52–60 GmbH	19,392	18,428
	351,002	**342,736**

6.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly consist of overnight bank deposits and amount to €36,904 thousand as of March 31, 2019 (December 31, 2018: €73,931 thousand).

6.6 ASSETS HELD FOR SALE

The assets held for sale changed as follows.

in € thousand	
Balance as of 31.12.2018	**35,590**
Reclassifications from investment properties	139,667
Disposals	-7,300
Changes in market value	1,770
Other assets included in the disposal group	12,799
Balance as of 31.03.2019	**182,526**

We refer to Note 6.2 regarding reclassifications from investment properties.

The measurement of the properties reported here was based on the procedure used for investment properties. The sale prices were used for properties for which a sale agreement already exists. The values determined in the context of the appraisal as of December 31, 2018 were used for the remaining properties. Overall, this procedure led to a fair value adjustment of €1,770 thousand recognized through profit or loss in the reporting period. As of the reporting date, the properties reported here had a fair value of €169,727 thousand.

As of March 31, 2019, other assets also had to be reported in this item since it can be deduced from a materializing sale process that the criteria of a disposal group within the meaning of IFRS 5 are met. The following table shows the companies that can be allocated to a corresponding disposal group.

Stand-alone sale

- Gateway Vierte GmbH
- Gateway Fünfte GmbH

Disposal group

— Gateway Sechste GmbH
— GTY 1te Düsseldorf KG
— GTY 1te Siegen KG
— GTY 1te Bünde KG
— GTY 1te Dresden KG
— GTY 1te Duisburg KG
— GTY 1te Hagen KG
— GTY 1te Hildesheim KG
— GTY 1te Kassel KG
— GTY 1te Lübeck KG
— GTY 1te Lüdenscheid KG
— GTY 1te Lünen KG
— GTY 1te Minden KG
— GTY 1te Oberhausen KG
— GTY 1te Pfronten KG
— GTY 1te Rosenheim KG
— GTY 1te Stralsund KG
— GTY 1te Wuppertal KG
— GTY 15te Hamm KG
— GTY 15te Kassel KG
— GTY 15te Dresden KG

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

in € thousand	01.01.–31.03.2019
Rental revenues	2,766
Revenues from operating costs	600
Revenues from cost charges to others and building cost subsidies	15
Administration costs (operating costs, maintenance, administration, etc.)	-1,336
	2,045

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

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

6.7 EQUITY

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

6.8 FINANCIAL LIABILITIES

Financial liabilities break down as follows:

in € thousand	31.03.2019	31.12.2018
Current financial liabilities		
Liabilities to banks	35,587	45,797
Liabilities to related companies	106,560	110,860
Liabilities to third parties from corporate bonds	38,303	
Liabilities to third parties from corporate bonds (interest)	4,905	
Liabilities to related companies from corporate bonds		28,429
Liabilities to related companies from corporate bonds (interest)		5,491
Loans from third parties	2,766	1,085
	188,121	**191,663**
Non-current financial liabilities		
Liabilities to banks	171,087	248,340
Liabilities to related companies	9,436	24,764
Liabilities to third parties from corporate bonds	87,562	
Liabilities to third parties from corporate bonds (interest)	14,133	33,810
Liabilities to related companies from corporate bonds		64,810
Liabilities to related companies from corporate bonds (interest)		11,371
Loans from third parties	15,940	15,203
Limited partners' share, non-controlling interests	151	151
	298,309	**398,449**
Total	**486,430**	**590,112**

The current financial liabilities have a remaining term of up to 12 months. They primarily include the current portion of the liabilities in connection with the acquisition of properties or the financing of the development projects. The terms of the non-current financial liabilities in the amount of €298,309 thousand are longer than one year.

No payment delays or breaches of contract occurred with respect to financial liabilities in the reporting period.

There were no financial liabilities denominated in foreign currencies as of the reporting date, and neither were there any interest rate swaps or other stand-alone derivative financial instruments as of the reporting date.

6.9 LIABILITIES DIRECTLY CONNECTED WITH ASSETS HELD FOR SALE

The development of the liabilities directly connected with assets held for sale is presented in the following table:

in € thousand	
Balance as of 31.12.2018	
Financial liabilities	84,267
Other liabilities	15,493
Balance as of 31.03.2019	**99,760**

We refer to Note 6.6 for information on the composition of the assets.

6.10 REVENUES

The Group generated revenues of €11,611 thousand in the period from January 1 to March 31, 2019. GATEWAY mainly generates revenues from the rental of inventory properties and investment properties, the sale of inventory properties, and the provision of services. Operating cost settlements and building subsidies received are other income sources. Specifically, revenues break down as follows:

in € thousand	**01.01.–31.03.2019**	01.01.–31.03.2018
Rental revenues in accordance with IFRS 16		
Rental revenues on investment properties	1,390	
Rental revenues for IFRS 5 properties	2,766	
Rental revenues sub-letting DP AG	17	22
Rental revenues on inventory properties	1,319	2,548
	5,492	**2,570**
Rental revenues in accordance with IFRS 15		
Revenues from the sale of inventory properties	4,900	
Revenues from operating costs (flat charges, settlements)	427	198
Revenues from operating costs (flat charges, settlements) in accordance with IFRS 5	600	
Revenues from cost charges to others and building cost subsidies in accordance with IFRS 5	15	
Revenues from services	145	260
Other	32	
thereof over time	145	260
thereof at a point in time	5,974	198
	6,119	**458**
Total	**11,611**	**3,028**

Of the overall revenues, €6,119 thousand fall under the scope of IFRS 15 and €5,492 thousand fall under the scope of IFRS 16. Revenues under the scope of IFRS 15, with the exception of revenues from services (management services agreements), are recognized at a certain point in time. In contrast, revenues related to associated companies and joint ventures are mainly recognized over time.

6.11 CHANGES IN INVENTORY

The change in inventory relates to the capitalized production costs for the inventory properties, which include €6,459 thousand (March 31, 2018: €5,827 thousand) in capitalized interest on borrowed capital. The main changes in inventory resulted from the companies Projektentwicklung Breite Gasse GmbH (€2,534 thousand), MUC Airport Living GmbH (€2,370 thousand) and Projektentwicklung Rudolfplatz GmbH (€2,053 thousand). The change in inventory is reduced by the sale of the inventory property Projektentwicklung Bochum. The specific breakdown of changes in inventory is presented in the table below:

in € thousand	**01.01.–31.03.2019**	01.01.–31.03.2018
Increase in inventory due to construction activity and capitalization of interest on borrowed capital	12,334	6,898
Sale of inventory properties	-4,068	
	8,266	**6,898**

6.12 COST OF MATERIALS

The reported cost of materials primarily comprises the production costs of the inventory properties, the acquisition costs for land, and the administration costs for the rented properties. This item breaks down as follows:

in € thousand	**01.01.–31.03.2019**	01.01.–31.03.2018
Acquisition costs of land	445	
Purchased services	2,973	786
Professional fees/projects	1,215	1,048
Other project costs	4	
Administration costs	2,069	
Other construction costs	1,540	35
	8,245	**1,869**

6.13 OTHER OPERATING INCOME AND EXPENSES

Other operating income includes the following amounts:

in € thousand	**01.01.–31.03.2019**	01.01.–31.03.2018
Proceeds from sale of investments accounted for using the equity method	465	
Income from the reversal of provisions	90	
Insurance compensation, indemnity	168	1
Costs charged to others	91	
Other income from internal settlement		5
Other in-kind benefits charged for motor vehicles	34	37
Reimbursement expense compensation	14	15
Income from the reduction of liabilities	59	
Other	36	
	956	**58**

The amount of €465 thousand originate from the sale of Berlin Marienfelde Südmeile Objekt GmbH, which is accounted for using the equity method.

Other operating expenses include the following amounts:

in € thousand	**01.01.–31.03.2019**	01.01.–31.03.2018
Legal and consulting expenses	375	55
Advertising, travel and motor vehicle expenses	465	430
Accounting, financial statements and auditing expenses	1,456	17
Space costs	146	115
IT, office and communication expenses	54	13
Insurance, premiums and dues	60	76
Costs for termination of a purchase contract	600	
Purchase price adjustment	454	
Advertising expenses property	50	7
Replacement space for a let property	37	
Other project development expenses	45	30
Purchased services	99	138
Tenant brokerage commission	340	
Appraiser expenses		9
Continuing education expenses	21	31
Other financing expenses	2	
Disposal losses	13	
Other tax expenses	8	
Prior-period expenses	67	
Other	419	59
	4,711	**980**

6.14 FINANCIAL RESULT

Net interest income can be broken down as follows:

in € thousand	**01.01.–31.03.2019**	01.01.–31.03.2018
Interest income	212	107
Interest expenses	-9,566	-6,606
Profit and loss from companies accounted for using the equity method	24	
	-9,330	**-6,499**

The interest expenses predominantly result from borrowing to finance the development projects as well as inventory properties. An amount of €6,459 thousand of these interest expenses were capitalized (see Note 6.11). The profit and loss shares in companies accounted for using the equity method are explained in Note 6.3.

6.15 INCOME TAX EXPENSE

The income tax expense for the first quarter 2019 amounts to €498 thousand (Q1 2018: €18 thousand). The effective tax rate of 19.1% was mainly influenced by changes in valuation adjustments of deferred tax assets on loss carryforwards, tax-exempt income as well as non-tax-deductible expenses (particularly interest expenses). The tax rate for the first quarter 2018 was 1.5%.

6.16 EARNINGS PER SHARE

The basic earnings per share are as follows:

in €	**01.01.–31.03.2019**	01.01.–31.03.2018
Earnings per share	**-0.02**	**-0.08**

The basic earnings per share is calculated as the quotient of the profit attributable to the shareholders of the parent company and the average number of shares outstanding during the financial year: In the current financial year, no additional shares were issued up to March 31, 2019, resulting in an average number of outstanding shares is 169,785,000.

The calculation basis for earnings per share is summarized in the following table. Basic earnings per share correspond to diluted earnings per share since there are no dilution effects.

in € thousand	**01.01.–31.03.2019**	01.01.–31.03.2018
Attribution of profit to common shareholders		
Loss attributable to owners of the parent company	-2,836	-1,601
Loss attributable to holders of common shares	-2,836	-1,601

in thousands of shares	**01.01.–31.03.2019**	01.01.–31.03.2018
B. Weighted average of common shares	**169,785**	**21,175**

6.17 RELATED PARTY TRANSACTIONS

A. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

Development Partner AG was acquired by SN Beteiligungen Holding AG by way of contract dated July 28, 2017. By way of an agreement dated July 9, 2018 and taking effect as of October 5, 2018, SN Beteiligungen Holding AG contributed the shares in Development Partner AG into GATEWAY and, as consideration, acquired 148,610,491 shares in the Company. This corresponds to a majority interest in SN Beteiligungen Holding AG of 87.5% in GATEWAY. SN Beteiligungen Holding AG is controlled by Norbert Ketterer. GATEWAY is therefore also controlled by Norbert Ketterer.

B. RELATED PARTY RELATIONSHIPS

We are not aware of any material transactions with related parties during the reporting periods Q1 2019 and Q1 2018.

6.18 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On April 10, 2019, GATEWAY placed 16,895,939 new shares from the capital increase announced on March 20, 2019 at a placement price of €4.00 per share within the context of an international private placement for institutional investors. Within the framework of the private placement, 28 million of the Company's shares held by the main shareholder, SN Beteiligungen Holding AG, were placed with institutional investors at the placement price. The total issuing volume of the private placement was approximately €180.0 million. The partial exercise of the greenshoe option will result in a free float of approximately 25%. The gross issue proceeds received by the Company within the context of the private placement amount to €67.6 million.

As a result of the placement, GATEWAY is listed in the Prime Standard of the Frankfurt Stock Exchange and, accordingly, classified as a publicly-traded company.

By way of a purchase agreement dated April 26, 2019, GATEWAY sold one of its standing assets in Düsseldorf. This resulted in a cash inflow of approximately €3.1 million, based on the preliminary purchase price calculation.

In April 2019, GATEWAY acquired a plot of land with a ground area of around 69,000 square meters. Development Partner AG, a wholly-owned subsidiary of Gateway Real Estate AG, plans to develop the new IBM technology campus on this site. The two locations of the IBM Group in Böblingen and Ehningen will be combined at the Ehningen site. After completion, scheduled for 2021, the campus will host some 3,500 employees on a rentable area of around 42,000 sqm. Gateway expects to achieve a planned EBITDA margin of at least 25% in connection with this project.

Frankfurt am Main, May 31, 2019

(The Management Board)

Financial calendar

21,08,2019	Annual General Meeting
26,09,2019	Publication H1
28,11,2019	Publication Q3

Imprint

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