ANNUAL REPORT
2021

GATEWAY
REAL ESTATE

AT A GLANCE

—

KEY FINANCIAL INDICATORS

in € thousand	2021	2020
Financial performance indicators		
Revenue	22,380	55,518
Gross profit	128,514	204,742
EBIT adjusted	105,279	142,449
EBT	70,156	116,677
Consolidated profit	54,701	89,777
Earnings per share in €	0.27	0.48
Financial position and liquidity ratios		
Total assets	1,349,613	1,117,626
Equity	410,785	359,820
Equity ratio	30.4%	32.2%
Cash and cash equivalents	16,457	50,549
Net financial debt	699,271	565,960
Leverage ratio (net financial debt/EBIT adjusted LTM)	6.6	4.0
Portfolio indicators		
Gross development volume (GDV) in € billion	6	5
Number of projects (as of end of December)	8	21

OVERVIEW
OF THE FISCAL YEAR 2021

—

EBIT **adjusted** amounts to

€105.3 million

in the fiscal year 2021

Gross development volume (GDV) amounts to

€6 billion

in 2021

Gateway Real Estate AG closes the fiscal year 2021 with a **consolidated profit** of

€54.7 million

Earnings per share amount to

€0.27

in the fiscal year 2021

Company guidance

for **2021**

was achieved

Forecast for fiscal year 2022
EBIT adjusted of

€125–140 million

AND EBT OF

€70–85 million

ABOUT US

—

GATEWAY REAL ESTATE AG, TOGETHER WITH ITS SUBSIDIARIES, IS ONE OF THE LEADING LISTED DEVELOPERS OF RESIDENTIAL REAL ESTATE AND URBAN QUARTERS IN GERMANY, USING RESOURCE-SAVING WOOD CONSTRUCTION METHODS. THE FOCUS OF OUR REAL ESTATE DEVELOPMENT ACTIVITIES IS ON SUSTAINABILITY AND RESPONSIBLE USE OF RESOURCES. OUR AIM IS TO MINIMIZE DETRIMENTAL EFFECTS ON THE ENVIRONMENT BY FOLLOWING A GREEN BUILDING APPROACH. THUS, WE MAKE A SIGNIFICANT CONTRIBUTION TO REDUCING THE CARBON DIOXIDE CONCENTRATION IN THE EARTH'S ATMOSPHERE.

WE DEVELOP SUSTAINABLE AND MODERN LIVING QUARTERS USING WOOD CONSTRUCTION METHODS ACROSS GERMANY, PRIMARILY IN THE TOP 9 CITIES AND SELECTED HIGH-GROWTH REGIONS.

WE ARE COMMITTED TO THE HIGHEST LEVEL OF PROFESSIONALISM AND SUSTAINABILITY IN PROJECT DEVELOPMENT AND TO DELIVERING TAILOR-MADE RISK-OPTIMIZED SOLUTIONS, AND CAN RELY ON AN EXPERIENCED MANAGEMENT TEAM. A CHALLENGING AND SUSTAINABLE PROJECT DEVELOPMENT THAT IS IN LINE WITH MARKET NEEDS REQUIRES AN INTENSE COLLABORATION OF SPECIALISTS THAT COMPLEMENT AND INSPIRE EACH OTHER. IN TERMS OF DEVELOPMENT, WE COVER THE ENTIRE VALUE CHAIN FROM THE ACQUISITION OF LAND AND PROJECTS THROUGH DEVELOPMENT AND CONSTRUCTION TO THE SALE OF THE PROPERTIES.

CONTENT

LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS, DEAR LADIES AND GENTLEMEN,

In the fiscal year 2021, we successfully continued to implement the strategic development of the GATEWAY Group towards a stronger focus on residential property development, as presented to you last year. We are pleased to have achieved the following key milestones: On the sales side, we exited our activities in the Commercial Properties Development business area in February 2021 and have largely sold this business area. Accordingly, we sold all our shares in our subsidiary Development Partner, which specializes in the development of commercial real estate, and discontinued nearly all of our activities in the Commercial Properties Development business area, except for three commercial properties development projects in Berlin, against the backdrop of the current pandemic environment. In the future, we will continue to focus on the Residential Properties Development business area and will develop residential real estate and urban quarters. The ongoing COVID-19 pandemic has not had any significant impact on our business activities. In view of this encouraging background, we are very satisfied with the figures generated and the development of the Company in the past fiscal year.

In terms of acquisitions, we acquired a total of five primarily large inner-city development projects for residential real estate in Cologne, Dresden, Chemnitz, Leipzig and Hamburg. Including the additional attractive pipeline, the gross development volume (GDV) amounts to more than €7 billion as of December 31, 2021.

In all of our project developments, the major emphasis is on the issue of sustainability. The construction of the buildings on our development sites is based on resource-saving wood construction methods. Furthermore, all our buildings comply with at least one of the recognized sustainability standards, such as the Gold Standard requirements as introduced by the German Sustainable Building Council (DGNB). The buildings are energy-plus buildings since our properties produce more energy than what they consume. We are convinced that resource-saving and climate-neutral project development using low-emission wood construction is the key to successfully addressing the complex challenges in the real estate industry, developing values and responsibly shaping the future.

For the first time, GATEWAY was evaluated by Sustainalytics, an international agency specializing in sustainability ratings, and achieved an overall ESG rating of 16.3 points in an ESG rating scale of up to 100 points. Accordingly, Gateway Real Estate AG is classified in the “low risk” category. This rating is a testament to Gateway Real Estate AG’s efforts in the area of sustainability – in the company itself but also in terms of the assessment that GATEWAY is on the right track with its resource-saving and climate-neutral project developments through the use of low-emission wood construction methods.

Tobias Meibom

Stefan Witjes

Adjusted EBIT, which is a key financial indicator for us and represents the operating profit plus the result from investments accounted for using the equity method, amounted to a total of €105,3 million in the fiscal year 2021. Thus, the result was in line with our predicted range of €95–110 million. Earnings before taxes (EBT) amounted to €70.2 million in the fiscal year 2021 and thus were also in line with our communicated expectation of €70–80 million. Consolidated profit (earnings after tax) amounted to €54.7 million, corresponding to earnings per share of €0.27. Group equity rose to €410.8 million, and the LTV, including near-cash receivables, was 64.3 percent. Taking into account hidden reserves in relation to our development properties held as current assets, the LTV would be reduced to at least 53.9 percent based on prudent estimates.

Dear shareholders, the Annual General Meeting of Gateway Real Estate AG was held on August 25, 2021. The AGM was held as a virtual meeting for the second time due to the coronavirus pandemic. We regret that direct exchange through personal dialog unfortunately was not possible once again. That said, we are all the more pleased that all the resolution proposals made by the Management Board and the Supervisory Board were adopted by a large majority of the Annual General Meeting.

The fiscal year 2021 saw personnel-related changes. At the beginning of 2021, Stefan Witjes was appointed as a new member of the Management Board; he is responsible for the business processes in the real estate business. Moreover, we have further expanded our internal project development capacities and hired a total of seven new employees during the fiscal year 2021. The relocation of our registered office to Berlin helped us acquire qualified talent from the project development area.

For the fiscal year 2022, the Management Board expects an adjusted EBIT of €125–140 million and consolidated earnings before taxes (EBT) of €70–85 million. The main drivers for business development are planned future sales in the context of forward sale transactions in the Residential Properties Development segment.

Dear shareholders, we are grateful for your trust and look forward to the further cooperation with our very dedicated and experienced team.

Frankfurt am Main, March 29, 2022

Tobias Meibom | Stefan Witjes

COMPANY PROFILE

BUSINESS MODEL

GATEWAY FOLLOWS A HOLISTIC BUSINESS MODEL COVERING THE ENTIRE VALUE CHAIN

Gateway Real Estate AG (in the following also referred to as "GATEWAY", "Company" or "Group") is one of the leading listed developers of residential real estate and urban quarters in Germany, using resource-saving wood construction methods. The Company's focus is on developing sustainable, state-of-the-art real estate using wood construction methods in Germany's high-demand metropolitan regions. The core regions are Germany's Top 9 cities, i.e. the Top 7 cities plus Dresden and Leipzig, and further selected high-growth regions.

In the fiscal year 2021, the Management Board and Supervisory Board to a large extent already implemented the decision taken in the previous year to focus, in the future, primarily on residential properties development and also to build for the company's own portfolio (build-to-hold) by selling the Commercial Properties Development business. In the context of this extended corporate strategy, GATEWAY increasingly seeks to develop residential real estate for long-term holding and administration to generate sustainable revenues. Accordingly, the standing asset segment will be expanded further in the medium term.

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

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

IDENTIFICATION, PROCUREMENT AND ACQUISITION

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

PLANNING AND MANAGEMENT

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

MARKETING AND SALES

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

CONSTRUCTION ACTIVITIES

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

ASSET AND PROPERTY MANAGEMENT

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

THE GATEWAY PROJECT PORTFOLIO

IN 2021, GATEWAY LARGELY IMPLEMENTED ITS STRATEGIC DEVELOPMENT ALREADY INTRODUCED IN THE PREVIOUS YEAR THROUGH THE DISCONTINUATION AND THE SALE OF MAJOR PORTIONS THE COMMERCIAL PROPERTIES DEVELOPMENT SEGMENT AND THE ACQUISITION OF FIVE PRIMARILY LARGE INNER-CITY RESIDENTIAL DEVELOPMENT PROJECTS IN COLOGNE, DRESDEN, CHEMNITZ, LEIPZIG AND HAMBURG.

GATEWAY has a regionally diversified project development pipeline with projects located in germany's growth regions.

CHEMNITZ

Type of use Residential

In Chemnitz, Gateway Real Estate AG is constructing a residential property in a central location. Chemnitz is the third-largest city of Saxony, behind Leipzig and Dresden. The centrally located project site can be found in the Chemnitz City Center district and is characterized by good connections to public transport.

COLOGNE

Type of use city quarter with mixed use

Cologne is the fourth largest city in Germany. The project site is located in the south of Cologne-Mülheim, near Mülheim Harbor on the river Rhine. Several bus and tram stops as well as an urban railway station are within walking distance. The project area is planned to be restructured into a lively quarter with flats, retail stores, schools and daycare facilities.

DRESDEN

Type of use city quarter with mixed use

The inner-city urban quarter development in Dresden comprises three construction sections. Dresden is the state capital of Saxony and has recorded continued population growth since 2000. The centrally located project site is situated close to the historic city center of Dresden. The site is characterized by very good accessibility, and there are a lot of cultural and recreational facilities, especially in the neighboring historic inner city. Furthermore, the quarter has a major recreational value as it offers a lot of green space.

THE MANAGEMENT TEAM

MANAGEMENT BOARD

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

As of December 31, 2021, the Management Board of Gateway Real Estate AG had two members.

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

Tobias Meibom has more than 20 years of experience in the real estate industry and in the areas of finance, due diligence and taxes. He holds a master's degree in Business Administration (Diplom-Kaufmann) and worked at business law firm Nörenberg Schröder as a tax consultant and auditor for various listed companies. Afterwards, he spent many years as Director Finance at the listed TAG Immobilien AG and subsequently in its operating subsidiaries as a member of the management boards (JUS Aktiengesellschaft für Grundbesitz, AGP AG). After a board membership in a company from the renewable energy sector, Tobias Meibom was appointed Chief Financial Officer of Gateway Real Estate AG for the first time in 2011.

Stefan Witjes
Chief Operating Officer (COO)

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

SUPERVISORY BOARD

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

As of December 31, 2021, GATEWAY's Supervisory Board consisted of the following experienced experts:

Norbert Ketterer
Chairman of the Supervisory Board

Thomas Kunze
Deputy Chairman of the Supervisory Board

Ferdinand von Rom
Member of the Supervisory Board

Jan Hendrik Hedding
Member of the Supervisory Board

Leonhard Fischer
Member of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

the most recent events in Ukraine have unsettled us all. These events do not only entail countless tragic individual stories, but also pose a multitude of sociological challenges for the whole of Europe. One of those challenges is, without a doubt, the creation of residential space that is both affordable and ecologically sustainable. In 2021, Gateway Real Estate AG consistently pursued the path it had already embarked on in the previous year to develop low-cost residential properties based on resource-saving wood construction methods. This decision has proven to be the right one.

TRUSTING COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In the fiscal year 2021, the Supervisory Board focused on fulfilling its duties imposed upon it by legal regulations, the German Corporate Governance Code and Gateway Real Estate AG's Articles of Association with utmost care. In particular, the Supervisory Board advised the Management Board in governing the Company on a regular basis and continuously monitored its activities. The cooperation between these two corporate bodies was always characterized by a trusting and constructive atmosphere.

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

SUPERVISORY BOARD MEETINGS

In fiscal year 2021, the Supervisory Board held a total of eleven meetings. The subject matter of the meetings referred to current business development as well as various significant individual matters and transactions subject to approval.

In its meeting on **January 21, 2021**, the Supervisory Board appointed Stefan Witjes to the Management Board as COO and gave its consent to entering into the respective service contract. The Supervisory Board also approved the declaration of compliance with the German Corporate Governance Code. The Supervisory Board meeting on January 21, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

In its meeting on **February 1, 2021**, the Supervisory Board discussed and resolved upon the planned sale of Development Partner AG and of further equity investments in the Commercial Properties Development segment. The Supervisory Board meeting on February 1, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

In its meeting on **February 17, 2021**, the Supervisory Board discussed and resolved upon the planned acquisition of two development sites in Dresden and Cologne. The Supervisory Board meeting on February 17, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

In its meeting on **April 26, 2021**, the Supervisory Board discussed the planning for fiscal year 2021, approved the respective forecast and resolved upon the appropriation of the profit generated in the fiscal year 2020. The Supervisory Board meeting on April 26, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

The Supervisory Board meeting for the approval of the financial statements was held on **April 27, 2021**. As part of this meeting, the Supervisory Board, in consultation with the auditor, the Audit Committee and the Management Board, approved the annual and consolidated financial statements as of December 31, 2020, including the related management reports, the dependent company report as of December 31, 2020 as well as the corresponding reports of the auditor. In addition, the Supervisory Board held a vote on and approved the report of the Supervisory Board to the Annual General Meeting. The Supervisory Board meeting on April 27, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

On **April 29, 2021**, the Supervisory Board held another meeting to pass a resolution on the prolongation of real estate financing for the newly acquired project in Dresden. The Supervisory Board meeting on April 29, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

In its meeting on **May 19, 2021**, the Supervisory Board approved an amendment to the declaration of compliance with the German Corporate Governance Code. The Supervisory Board meeting on May 19, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

The subject matter of the meeting on **June 9, 2021** was the new Corporate Bond 2016/2021; in this context, the Supervisory Board approved the issue and private placement of the bond as well as further related measures. The Supervisory Board meeting on June 9, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

In the following meeting on **June 23, 2021**, the Supervisory Board approved the final volume of the bond issue as well as further related measures. The Supervisory Board meeting on June 23, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

In its meeting on **July 7, 2021**, the Supervisory Board discussed and resolved upon convening the Annual General Meeting 2021. In addition, the intended acquisition of a project in Leipzig was discussed, finally leading to the approval of the transaction. The Supervisory Board meeting on July 7, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

In its last meeting in the reporting year on **December 17, 2021**, the Supervisory Board received reports on the status of all project developments and general risk management as well as the expansion of the compliance management system. Moreover, the Supervisory Board granted its consent to various transactions which require the approval of the Supervisory Board in accordance with the Management Board's rules of procedure and resolved upon an adjustment of the Management Board's schedule of responsibilities. The Supervisory Board meeting on December 17, 2021 was attended by Norbert Ketterer, Thomas Kunze, Ferdinand von Rom, Jan Hendrik Hedding, and Leonhard Fischer.

SUPERVISORY BOARD COMMITTEES

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

CORPORATE GOVERNANCE

The Supervisory Board continuously monitored and discussed the development of corporate governance within the GATEWAY Group. Comprehensive information is included in the corporate governance statement for the fiscal year 2021 which can be accessed on the Company's website.

Information about the structure and the amount of the remuneration for members of the Management Board and the Supervisory Board can also be found in a separate remuneration report for the fiscal year 2021, which also has been published on the Company's website.

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

AUDIT OF ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The auditor appointed by the Annual General Meeting on August 25, 2021 – Rödl & Partner GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Nuremberg – has audited the annual financial statements of Gateway Real Estate AG as well as the consolidated financial statements as of December 31, 2021, as prepared by the Management Board, including the respective management reports, and issued an unqualified audit opinion.

Any of these filings, including the Management Board's proposal on the appropriation of the net retained profit and the report on relationships with affiliated companies for the fiscal year 2021 pursuant to Section 312 AktG ("dependent company report"), were made available to the Supervisory Board and the Audit Committee in due time and were the subject of the meeting of the Audit Committee and the Supervisory Board on March 29, 2022. Representatives of the auditor also participated in the meeting. The auditors presented the key audit matters and the material findings of their audit and discussed in more detail the key audit matters and the audit procedures employed. The auditors were available to the members of the Audit Committee and the Supervisory Board for detailed discussions. No circumstances were identified that would indicate any partiality of the auditor.

The Audit Committee presented to the Supervisory Board the material contents and findings of its preliminary audit and provided recommendations regarding the proposals to be passed by the Supervisory Board. The Supervisory Board reviewed the annual and consolidated financial statements for the fiscal year 2021, the respective management reports of the Management Board, and concurred with the findings of the audit conducted by the auditor. Based on its own review, the Supervisory Board determined that no objections have to be raised against the annual and consolidated financial statements and the respective management reports. According to the recommendation of the Audit Committee, the Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board. The annual financial statements of Gateway Real Estate AG were thus adopted.

PROPOSAL ON THE APPROPRIATION OF NET RETAINED PROFIT

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

REVIEW OF THE DEPENDENT COMPANY REPORT

In the fiscal year 2021, Gateway Real Estate AG was a dependent company within the meaning of Section 312 AktG. Therefore, the Management Board of Gateway Real Estate AG has prepared a dependent company report for fiscal year 2021 which includes the following closing statement:

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

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

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

1. the factual statements made in the report are correct,
2. the Company’s compensation with respect to the transactions listed in the report was not inappropriately high.”

Based on its own review, the Supervisory Board followed the opinion of the auditor. The review did not give rise to any objections. Moreover, the Supervisory Board did not raise any reservations against the Management Board’s closing statement in the dependent company report for the fiscal year 2021.

DISCLOSURE OF CONFLICTS OF INTEREST

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

In connection with the acquisition of the development sites in Dresden and Cologne, which was on the agenda of the Supervisory Board meeting on February 17, 2021, as well as the acquisition of the development site in Leipzig, which was on the agenda of the Supervisory Board meeting on July 7, 2021, Norbert Ketterer disclosed that he has shareholdings in some of the selling entities. In order to avoid conflicts of interest, Mr. Norbert Ketterer did not participate in the related consultations and resolutions passed by the Supervisory Board.

CHANGES IN THE SUPERVISORY BOARD

On December 7, 2020, upon a proposal made by the Supervisory Board, the Management Board filed an application with the Frankfurt am Main local court to additionally appoint Leonhard Fischer as a new member of the Supervisory Board; in compliance with the recommendation of the German Corporate Governance Code, the term of office was initially limited until the Annual General Meeting 2021. The application was approved by resolution dated December 21, 2020. Accordingly, the term of office of Leonhard Fischer as well as the terms of office of all other Supervisory Board members were extended by another five years, as resolved upon by the Annual General Meeting 2021.

Frankfurt am Main, March 2022
For the Supervisory Board

Norbert Ketterer
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

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

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

In the fiscal year 2021, the Management Board and the Supervisory Board have continued to elaborate on principles of good corporate governance. In November of the reporting year, the Company expanded its compliance framework on a large scale and introduced some amendments. This compliance framework includes strict and rigorous standards for entrepreneurial action which are binding for all employees of GATEWAY.

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 AKTG

The Management Board and Supervisory Board of Gateway Real Estate AG hereby declare that the Company has been in compliance with the recommendations of the Government Commission of the German Corporate Governance Code (Regierungskommission Deutscher Corporate Governance Kodex), as published by the German Federal Ministry of Justice in the official section of the German Federal Gazette on March 20, 2020, from the issue of the declaration of compliance dated January 21, 2021 (last updated in July 2021), save for the following exceptions:

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

2. **Recommendation B.5:** The Company considers the specification of an age limit for Management Board members, as recommended by the Code, as unnecessary since reaching a certain age limit is no indication for the qualification of a member of the Management Board. Therefore, no age limit has been specified.

3. **Recommendation C.1 and C.2:** The Supervisory Board shall determine concrete objectives regarding its composition and shall prepare a profile of skills and expertise for the entire Board and shall aim at fulfilling the overall profile when making proposals to the Annual General Meeting concerning new appointments. Apart from determining a target for the share of women, the Supervisory Board of Gateway Real Estate AG has not yet determined concrete objectives for its composition and has not prepared a profile of skills and expertise for the entire Board. In its election proposals for the Supervisory

Board, the Supervisory Board has based its decisions primarily on the individual professional and personal suitability of candidates. This is a tried-and-tested procedure in the view of the Supervisory Board.

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

5. In accordance with **Recommendation C.14** the Supervisory Board's proposals for a candidate shall be accompanied by a curriculum vitae, providing information on the candidate's relevant knowledge, skills and professional experience; it shall be supplemented by an overview of the candidate's material activities in addition to the Supervisory Board mandate, and shall be updated annually for all Supervisory Board members and published on the entity's website. The Company did not comply with this recommendation on the Annual General Meeting 2021 as all of the candidates already were members of the Supervisory Board at the respective date and, to that extent, the proposals merely represented proposals to extend the term of office. The major roles filled by the candidates in addition to their membership in the Company's Supervisory Board have therefore been already disclosed in the Annual Report for the fiscal year 2021. The curricula vitae of the candidates were already accessible under https://www.gateway-re.de/en/company/supervisory-board/. The Company is of the opinion that another reproduction of the curricula vitae in the notice convening the Annual General Meeting 2021 would have unnecessarily consumed resources without making the decision easier for the shareholders in any meaningful way.

6. **Recommendation D.1:** Against the backdrop of the young and expanding business activities of the Company and the number of its members, the Supervisory Board does not currently believe that it is necessary to adopt rules of procedure. Hence, the Supervisory Board does not comply with Recommendation D.1. As the Company and/or the Supervisory Board increase in size, the Supervisory Board will consider the preparation of rules of procedure.

7. **Recommendation D.5:** In derogation from Recommendation D.5, the Supervisory Board has not established a Nomination Committee. The Supervisory Board is of the opinion that the Supervisory Board as a whole shall early deal with decisions such as the appointment or nomination of Management Board and/or Supervisory Board members.

8. In accordance with **Recommendation F.2** the consolidated financial statements and the Group management report shall be made publicly accessible within 90 days from the end of the fiscal year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period. In contrast, the legal provisions require that the consolidated financial statements, including the Group management report, have to be published within four months from the end of the fiscal year, and that half-yearly financial reports have to be published within three months after the end of the reporting period. Pursuant to the Stock Exchange Regulations of the Frankfurt Stock Exchange for the Prime Standard, quarterly statements shall be

transmitted to the Management Board of the Frankfurt Stock Exchange within two months from the end of the reporting period. The Company has been in compliance with the legal terms and the terms defined by the Stock Exchange Regulations since the Management Board deems these terms as appropriate. The Company may publish reports earlier if the internal procedures allow such earlier publication.

9. **Recommendation G.1, G.6-G.10 and G.12** set out requirements as regards the remuneration system and the determination of the remuneration. The Company deviates from this recommendation as far as variable remuneration components are used. The remuneration system, as resolved upon by the Supervisory Board and approved by the Annual General Meeting, currently does not provide for variable remuneration components for the Management Board. The Supervisory Board believes that the system adopted for the remuneration of the Management Board is appropriate also in this regard and is aimed at promoting a sustainable company development, especially since the members of the Management Board hold shares in Gateway Real Estate AG (cf. https://www.gateway-re.de/en/investor-relations/corporate-governance/managers-transactions/) to a sometimes not insignificant extent.

10. In accordance with **Recommendation G.4** to ascertain whether remuneration is in line with usual levels within the Company itself, the Supervisory Board shall take into account the relationship between Management Board remuneration and the remuneration of senior managers and the workforce as a whole, and how remuneration has developed over time. The remuneration system does not currently provide for such a "vertical" comparison of remuneration since the Supervisory Board believes that this would not result in any useful parameters for evaluation. The remuneration system only provides for a comparison with other companies to ascertain whether total remuneration for the Management Board is in line with usual levels. The suitable comparator group includes companies that are listed in the same stock exchange segment (Prime Standard) as the Company and have a comparable EBT.

Frankfurt am Main, January 2022
Gateway Real Estate AG

Management Board and Supervisory Board

DISCLOSURES REGARDING CORPORATE GOVERNANCE PRACTICES

WORKFLOWS AND COMPOSITION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

Dual management structure

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

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

In fiscal year 2021, the Management Board consisted of two members.

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

Name and function	Date of appointment	End of term of office	Responsibilities
Tobias Meibom, CFO	11/05/2018	12/31/2023	Finance, Legal, Investor Relations, IT
Stefan Witjes, COO	01/21/2021	12/31/2023	Property Project Development, Asset and Property Management, Central Purchasing, Service Companies

During the transitional phase from January 1, 2021 until the appointment of Mr. Witjes on January 21, 2021, Mr. Meibom was solely responsible for the duties of the Management Board.

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

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Name	Function	Date of appointment	End of term of office
Norbert Ketterer	Chairman of the Supervisory Board	08/24/2016	Annual General Meeting 2026
Thomas Kunze	Deputy Chairman of the Supervisory Board	08/24/2016	Annual General Meeting 2026
Ferdinand von Rom	Member of the Supervisory Board	08/22/2018	Annual General Meeting 2026
Jan Hendrik Hedding	Member of the Supervisory Board	08/21/2019	Annual General Meeting 2026
Leonhard Fischer	Member of the Supervisory Board	12/21/2020	Annual General Meeting 2026

The members of the Supervisory Board are generally elected by the shareholders during the Annual General Meeting. Marcellino Graf von und zu Hoensbroech resigned from his Supervisory Board office for personal reasons effective April 30, 2020. On December 7, 2020, in order to again achieve the number of members as prescribed by the Articles of Association, the Management Board filed an application to appoint Leonhard Fischer as additional member of the Supervisory Board upon the proposal of and by mutual agreement with the Supervisory Board. The application was approved by way of a resolution of the Frankfurt am Main local court on December 21, 2020. Subsequently, the Annual General Meeting 2021 confirmed the appointment of Mr. Fischer and extended the terms of office of the other Supervisory Board members by another five years.

COMMITTEES

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

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

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

SUCCESSION PLANNING

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

AGE LIMIT

The Company has not specified general age limits for the members of its Management Board and Supervisory Board. Please refer to Sections 2 and 3 of the declaration of compliance in accordance with Section 161 AktG.

SELF-ASSESSMENT

According to the recommendation of the new GCGC 2020, the Supervisory Board shall assess, at regular intervals, how effective the Supervisory Board as a whole and its committees fulfill their tasks. The Supervisory Board conducted such a self-assessment most recently during its meeting on August 14, 2020. It is the consensus of the Supervisory Board members that the Supervisory Board and its committees are well positioned to fulfill their tasks delegated to them by law and the Articles of Association. The next self-assessment is scheduled for the second half of 2022.

EVALUATION OF THE AUDIT

In compliance with the corresponding recommendation of the new GCGC 2020, the members of the Supervisory Board evaluated the quality of the audit conducted by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft ("Rödl") during their meeting on October 28, 2020. This evaluation did not give rise to any objections related to the audit to be made by the Supervisory Board and its Audit Committee. The next evaluation of the audit assessment is scheduled for the second half of 2022.

DIVERSITY CONCEPT

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

— The target figure for the share of women in the Supervisory Board until December 31, 2024 was set at 20 percent.

— The target figure for the share of women in the Management Board until December 31, 2024 was set at 25 percent.

— The share of women in the first management level below the Management Board until December 31, 2024 was set at 20 percent.

The targets were not achieved in the year under review. As before, there are no women in the Management Board and the Supervisory Board as well as in the first management level below the Management Board. In connection with proposals to the Annual General Meeting as regards the election of Supervisory Board members, the Supervisory Board takes into account the targets set in relation to its composition, however, the Board focuses on the technical, professional and personal qualifications of the candidates.

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

DISCLOSURE OF CONFLICTS OF INTEREST

In compliance with the German Corporate Governance Code, each member of the Management Board and the Supervisory Board shall disclose any conflicts of interest that may arise. No conflicts of interest arose during the fiscal year 2021 in relation to the Management Board. Any conflicts of interest within the Supervisory Board that were brought to the attention of the Supervisory Board in the fiscal year 2021, and the actions taken in this context are addressed in the report of the Supervisory Board.

D&O INSURANCE

D&O insurance policies exist for the members of the Management Board and the Supervisory Board; they provide insurance cover for damages claimed by the Company, shareholders and third parties as a result of violations of the boards' duty of care. The costs for the insurance are borne by Gateway Real Estate AG. A deductible applies to members of the Management Board in an insured loss event.

DIRECTORS' DEALINGS

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

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

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

COMPLIANCE

In November 2021, the Management Board of GATEWAY issued a new code of conduct which replaces the compliance policy dated November 2019. Moreover, the Management Board issued a non-discrimination policy and a diversity policy also in November 2021. These policies apply to all employees of the GATEWAY Group; adherence to these policies is mandatory. The code and the policies mentioned above include statements and requirements regarding conduct in accordance with legal provisions and set out the Company's values. The GATEWAY Group expects that all executives and employees are familiar with and adhere to all relevant legal requirements and the company-internal compliance policy. They receive regular training for this purpose. In addition, the GATEWAY Group has appointed a Data Protection Officer. The responsibility for monitoring compliance lies with the Management Board, which is supported in this context by the Group Legal Department.

REMUNERATION REPORT

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

Pursuant to Section 87a AktG, the Supervisory Board of the listed company also adopts a clear and understandable system for the remuneration of the Management Board members. Based on the previous remuneration system for the members of the Management Board, the Supervisory Board resolved a remuneration system pursuant to Section 87a AktG on July 7, 2021, and submitted its proposal for approval by the Annual General Meeting on August 25, 2021. The Annual General Meeting approved the remuneration system for the members of the Management Board with an approval rate of 98.85 percent. The Annual General Meeting 2021 also confirmed the remuneration for the Supervisory Board members and the underlying remuneration system with an approval rate of 99.99 percent.

The current remuneration system for Management Board members applies to all service contracts with members of the Company's Management Board that are newly entered into, amended or renewed as from August 25, 2021. The currently applicable contracts for Management Board members therefore do not fall under the scope of the newly approved system, although being largely in line with it.

THE NEW REMUNERATION SYSTEM OF THE MANAGEMENT BOARD

The criteria for the adequacy of Management Board remuneration comprise the responsibilities of the individual Management Board member, his or her individual performance, the Company's financial situation, success and future prospects, as well as the usual levels of remuneration taking into account its peer companies.

In terms of the suitable comparator group to assess the usual levels of the specific overall remuneration compared with other companies, the Supervisory Board relies on those companies that are listed in the same stock exchange segment (Prime Standard) as the Company and have a comparable EBT.

FIXED REMUNERATION

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

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

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

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

RECOGNITION AWARD

The Supervisory Board, based on its due discretion, may resolve an additional voluntary bonus (recognition award) for special achievements of the Management Board for the benefit of the Company and subject to a corresponding special economic success of the Company. An enforceable legal right to such recognition award only arises if the Supervisory Board has made a corresponding resolution in substance and amount.

When determining the recognition award, the Supervisory Board considers the extraordinary performance of the individual Management Board member, especially with regard to the Company's long-term sustainable success, the interests of shareholders and employees alike, the environmental and social responsibility as well as the compliance culture of the Company.

The remuneration system does not provide for the possibility to reclaim any variable remuneration components.

DETERMINATION OF TARGET TOTAL REMUNERATION OF THE MANAGEMENT BOARD MEMBER

The annual target total remuneration for Management Board members solely consists of the respective fixed remuneration. The relative share of fixed remuneration in target total remuneration therefore is 100%.

A potential recognition award is not taken into account in the determination of the target total remuneration as the Management Board members are not entitled to the recognition award; it is only granted to honor extraordinary performance.

DETERMINATION OF MAXIMUM REMUNERATION

The maximum remuneration for the members of the Management Board is determined as follows:
Chairman of the Management Board:
€1,000,000.00 (in words: one million euro)

Other members of the Management Board:
€1,000,000.00 (in words: one million euro)

The maximum remuneration comprises any fixed remuneration components (including ancillary benefits) and any recognition award.

REDUCTION

A reduction of the Management Board's emoluments unilaterally by the Supervisory Board in accordance with the legal requirements set out in Section 87 (2) AktG in conjunction with Section 87 (1) AktG is permitted.

REMUNERATION-BASED LEGAL TRANSACTIONS

Terms and termination of service contracts

Each of the service contracts of the Management Board members are entered into for the term of the appointment. Taking into account the requirements under German stock corporation law as defined in Section 84 AktG, the term of the appointment and the contract term must not exceed five years. In accordance with the requirements under stock corporation law, the service contracts of the Management Board members do not provide for an option for ordinary termination; the mutual right to terminate the service contract without notice for good cause remains unaffected.

Benefits in case of an early termination of the service contract
In case of a termination of the service contract during the year, the fixed remuneration is generally granted only on a pro rata basis. A severance payment may be agreed in the service contracts in case the contract is terminated early due to the revocation of the appointment or by way of a termination agreement. However, the amount of such a severance payment is limited to twice the fixed annual remuneration, but not more than the remuneration that would have been payable for the remaining term of this contract (severance payment cap). Any severance payments are charged against any compensation payments (Karenzentschädigung) granted in connection with non-compete clauses.

Commitments for benefits paid for early termination of the service contract by the member of the Management Board following a change of control have not been agreed upon.

Post-contractual non-compete clause
The service contracts of the Management Board members may include post-contractual non-compete clauses to the extent permitted by law. For the period of a post-contractual non-compete clause, a compensation payment (Karenzentschädigung) may be granted in the amount of 50% per annum of the contractual benefits last received by the Management Board member. Payment shall be made in monthly installments. The details have to be set out in the service contracts of the Management Board members.

PRESENTATION OF THE PROCEDURE TO DETERMINE, IMPLEMENT AND REVIEW THE REMUNERATION SYSTEM

The remuneration system is determined by the Supervisory Board in accordance with Section 87a (1) AktG. For this purpose, the Supervisory Board jointly designs the structure of the remuneration system and discusses its individual aspects to ultimately pass a corresponding resolution. In this context, the Supervisory Board may rely on external remuneration experts, ensuring their independence. The Supervisory Board may also consult external legal advisers.

The General Meeting resolves upon the remuneration system whenever there is a significant change in the remuneration system, but at least every four years. If the General Meeting does not approve the remuneration system, a revised remuneration system shall be submitted for resolution not later than at the following Ordinary General Meeting.

The remuneration system, as resolved by the Supervisory Board, is implemented by the Supervisory Board as a whole when the individual service contracts for the Management Board members are concluded. In addition, the Supervisory Board reviews the remuneration system on an ongoing basis, taking into account the following criteria: the future business strategy, the economic situation, the success of the Company, as well as the responsibilities of the individual members of the Management Board and their personal performance in the past. The situation in the relevant industry is also taken into account. If any adjustments are deemed necessary, the Supervisory Board will resolve upon any changes to the remuneration system. In the event of changes, the Supervisory Board submits the amended remuneration system to the next Ordinary General Meeting for approval.

No conflicts of interest have yet occurred among the individual Supervisory Board members in the context of decisions on the remuneration system for the Management Board. Should such a conflict of interest arise during the determination, implementation and review of the remuneration system, the Supervisory Board will address such conflicts in the same way as other conflicts of interest in relation to a Supervisory Board member, so that the Supervisory Board member in question will not participate in passing the resolution or, in the case of a more serious conflict of interest, will not take part in the deliberations. If a permanent conflict of interest arises or cannot be solved, the Supervisory Board member concerned shall resign from office. In this context, early disclosure of conflicts of interest ensures that the decisions of the Supervisory Board are not influenced by inappropriate considerations.

TEMPORARY DEVIATIONS FROM THE REMUNERATION SYSTEM

Pursuant to Section 87a (2) sentence 2 AktG, the Supervisory Board may temporarily deviate from the remuneration system if this is necessary in the interest of the long-term well-being of the company. This includes, for example, the alignment of the remuneration system in the event of a significant change in corporate strategy in order to provide adequate incentives or in the event of broad-based changes in the economic situation (for example, due to pandemics or severe economic crises) that render the original performance criteria and/or key figures of the remuneration system obsolete, provided that the specific impact could not have been foreseen. It is explicitly stated that generally unfavorable market developments do not constitute an exception that would allow for a deviation from the remuneration system to be implemented.

As far as the procedure is concerned, such a deviation requires an explicit resolution of the Supervisory Board in which the duration of the deviation as well as the deviation as such, as well as the reason for it (i.e. why the long-term well-being of the Company requires the deviation) are described in an appropriate form. The components of the remuneration system that may be subject to deviations in exceptional cases include the procedure, the regulations on the remuneration structure and amount as well as the individual remuneration components and in particular the performance criteria. As a matter of fact, the Supervisory Board may deviate both from the respective relative share of the individual remuneration components as well as their respective prerequisites, and it may also temporarily set the basic remuneration differently in individual cases if this is in the interest of the long-term well-being of the Company, provided, however, that the maximum remuneration set by the Annual General Meeting is not exceeded.

DISCLOSURE OF THE REMUNERATION ACTUALLY GRANTED AND OWED TO THE MANAGEMENT BOARD

The following overview shows the remuneration granted to the current members of the Management Board in the year under review (2021). The overview comprises all amounts actually paid to the individual Management Board members in the reporting year (2021). The remuneration granted corresponds to the remuneration actually owed.

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Remuneration granted	**Stefan Witjes, Vorstand (COO) First appointment: 2021**				**Tobias Meibom, Vorstand (CFO) First appointment: 2011**			
in € thousand	**2020**	**2021**	**2021 (min)**	**2021 (max)**	**2020**	**2021**	**2021 (min)**	**2021 (max)**
Fixed remuneration		633	633	633	480	690	690	690
Fringe benefits		0			28	28	28	28
Total		633	633	633	508	718	718	718
Pension benefits		0			7	8	8	8
Total remuneration		633	633	633	515	726	726	726

SUPERVISORY BOARD REMUNERATION

The remuneration for the members of the Supervisory Board had already been resolved upon at the Company's Ordinary General Meeting on August 21, 2019, and was confirmed by the Annual General Meeting on August 25, 2021. Accordingly, each member of the Supervisory Board receives a fixed remuneration of €20,000.00 for each fiscal year. The Chairman of the Supervisory Board receives a fixed remuneration of €40,000.00 for each fiscal year and the Deputy Chairman receives a fixed remuneration of €30,000.00. This complies with the German Corporate Governance Code which recommends that the status as Chairman or Deputy Chairman of the Supervisory Board as well as Chair or memberships in the committees shall be taken into consideration in the determination of the remuneration for the Supervisory Board.

This is complemented by the reimbursement of expenses reasonably incurred in the exercise of their office, e.g. travel expenses actually incurred, as well as value added tax on the reimbursement of expenses. In addition, the members of the Supervisory Board shall be included in a D&O liability insurance policy at the Company's expense, to the extent that such an insurance policy exists.

Since the remuneration system does not include variable remuneration components, the disclosures pursuant to Section 87a (1) sentence 2 No. 4, 6, 7 AktG are not required. The remuneration of the Supervisory Board members is approved by the Annual General Meeting so that no contractual remuneration-based legal transactions within the meaning of Section 87a (1) sentence 2 No. 8 AktG are entered into.

The remuneration is payable on the day after the Annual General Meeting at which the members of the Supervisory Board are discharged. There are no other deferral periods for the payout of remuneration components.

The remuneration granted (i.e. owed) to the Supervisory Board members in 2021 can be broken down as follows:

Member of the Supervisory Board	Time period	Remuneration in 2021 in € thousand	Remuneration in 2020 in Tsd. €
Norbert Ketterer (Chairman of the Supervisory Board)	01/01/2021–12/31/2021	40	40
Thomas Kunze (Deputy Chairman of the Supervisory Board)	01/01/2021–12/31/2021	30	30
Ferdinand von Rom	01/01/2021–12/31/2021	20	20
Jan Hendrik Hedding	01/01/2021–12/31/2021	20	20
Leonhard Fischer	01/01/2021–12/31/2021	20	approx. 0.5 (pro rata)

COMPARATIVE PRESENTATION OF CHANGES IN REMUNERATION AND FINANCIAL PERFORMANCE

The following comparative presentation shows the annual percentage change of remuneration granted and owed to members of the Management Board and the Supervisory Board, of the financial performance of Gateway Real Estate AG (earnings before tax, consolidated financial statements) and of the remuneration of the employees on the basis of full-time equivalents. The latter is based on average wages and salaries of the staff directly employed by Gateway Real Estate AG. The presentation shows the respective changes over the previous fiscal year (except for the development of remuneration for employees who, in line with legal requirements (Section 26j para. 2 sentence of the German Introductory Act to the Stock Corporation Act), are presented for the first time and therefore only for the past fiscal year 2021 compared to 2020). As regards the remuneration granted and owed to board members, the terms set out in Section 162 para. 1 sentence 1 AktG apply so that the remuneration is taken into account that was received or became due in the relevant fiscal year.

	Change in 2021 compared to 2020 in %	Change in 2020 compared to 2019 in %	Change in 2019 compared to 2018 in %	Change in 2018 compared to 2017 in %	Change in 2017 compared to 2016 in %
Member of the Management Board					
Tobias Meibom	40	0	0	–24	146
Stefan Witjes[1]	100	–	–	–	–
Members of the Supervisory Board					
Norbert Ketterer	0	0	100	–	–
Thomas Kunze	0	0	100	–	–
Ferdinand von Rom	0	0	100	–	–
Jan Hendrik Hedding[2]	0	300	100	–	–
Leonhard Fischer[3]	4,000	100	–	–	–
Financial performance					
EBT as reported in the consolidated financial statements	–40	–11	216	68	148
Employees					
Average wage/salary	18.6				

[1] Appointed during the year 2021
[2] Appointed during the year 2019
[3] Appointed during the year 2020

This is a convenience translation of the text of the original German-language report. Solely the original text in German language is authoritative

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON EXAMINATION OF THE REMUNERATION REPORT PURSUANT TO SECTION 162 PARAGRAPH 3 AKTG

To Gateway Real Estate AG, Frankfurt am Main

OPINION

We have formally examined the remuneration report of Gateway Real Estate AG, Frankfurt am Main for the financial year from January 1, to December 31, 2021 to determine whether the disclosures pursuant to Section 162 paragraphs 1 and 2 AktG (German Stock Corporation Act) have been made in the remuneration report. In accordance with Section 162 paragraph 3 AktG, we have not examined the content of the remuneration report.

In our opinion, the information required by Section 162 paragraphs 1 and 2 AktG has been disclosed in all material respects in the accompanying remuneration report. Our audit opinion does not cover the content of the remuneration report.

BASIS FOR THE OPINION

We conducted our examination of the remuneration report in accordance with Section 162 paragraph 3 AktG taking into account the IDW (Institute of Auditors in Germany) assurance standard: The examination of the remuneration report pursuant to Section 162 paragraph 3 AktG (IDW AuS 870 [08.2021]). Our responsibilities under that regulation and that standard are further described in the "Auditor's responsibilities" section of our assurance report. As an audit firm, we have complied with the requirements of the IDW Quality Assurance Standard: Requirements relating to quality control for audit firms (IDW QS 1). We have complied with the professional duties pursuant to the Professional Code for German Public Auditors and German Chartered Auditors [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer – BS WP/vBP], including the requirements for independence.

RESPONSIBILITY OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Management Board and the Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of Section 162 AktG. They are also responsible for such internal controls as they have determined necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES
Our objective is to obtain reasonable assurance about whether the remuneration report complies, in all material respects, with the disclosure requirements pursuant to Section 162 paragraphs 1and 2 AktG and to issue an assurance report that includes our opinion.

We planned and performed our examination to obtain evidence about the formal completeness of the remuneration report by comparing the disclosures made in the remuneration report with the disclosures required by Section 162 paragraphs 1 and 2 AktG. In accordance with Section 162 paragraph 3 AktG, we have not examined whether the disclosures are correct or individual disclosures are complete or whether the remuneration report is fairly presented.

HANDLING POTENTIALLY MISLEADING PRESENTATIONS
In connection with our examination, our responsibility is to read the remuneration report, taking into account the findings of the audit of the annual financial statements and, in doing so, to remain alert for indications of misleading presentations in the remuneration report, to determine whether the disclosures are correct or individual disclosures are complete or whether the remuneration report is fairly presented.

If, based on the work that we have performed, we conclude that the remuneration report includes such misleading presentations, we are required to report that fact. We have nothing to report in this regard.

Nuremberg, March 29, 2022
Rödl & Partner GmbH

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Landgraf	Luce
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

THE GATEWAY SHARE

STOCK MARKETS

Despite persisting adverse factors, especially the ongoing coronavirus pandemic, continuing disruptions affecting global supply chains in individual sectors, and the noticeable rise in inflation in major economies, most of the stock markets continued to trade on record levels in 2021.

The German stock market was characterized by relatively strong fluctuations. Apart from discussions surrounding interest rates, supply bottlenecks and important political events, such as the German parliamentary elections in the fall, these fluctuations were mainly caused by news on the development of the coronavirus pandemic. However, it was striking that share price losses, for example triggered by newly emerging waves of infection, risks caused by new virus variants such as Delta and Omicron, or the initially sluggish progress of vaccination campaigns, were always quickly compensated for by counter-reactions from the market. Following the rally in the first week of January 2021, the German stock market soared significantly from the end of January onwards and was able to maintain or further extend this performance until the end of 2021. The market's resilience, despite the crisis involving numerous negative news, was striking. Accordingly, the sharp price declines during the course of the year were seen as buying opportunities, and prices returned back to previous price levels within a few weeks, in some cases even days.

The German flagship index DAX (Deutscher Aktienindex) closed the year at 15,885 points, representing an increase of almost 16 percent. This is only slightly below its peak for 2021 of 16,290 points which it reached in mid-November. The index, whose number of constituents was increased from previously 30 to now 40 stocks only in September 2021, rose significantly over the course of 2021, particularly in the first half of the year, which is also likely to be related to the temporary easing of the coronavirus pandemic during summer.

After a significant decline in the traditionally weak stock market month of September, the benchmark index started a recovery to its all-time high by the middle of the fourth quarter. That said, at the end of 2021, there was a focus on a number of negative factors, particularly in view of the momentum of the Omicron variant. These adverse factors also included the ongoing global supply chain problems, which dampened economic growth in the meantime. Furthermore, political conflicts in Asia and Eastern Europe are simmering and destabilizing international security. In addition, the coronavirus pandemic remains a serious risk; a possible fifth wave is looming and will again significantly restrict public life at the beginning of 2022.

Unlike in most previous years, small and mid-cap stocks were not able to gain quite as much as the DAX in 2021. The SDAX, for example, recorded an increase of 11 percent, reaching 16,415 points in the year 2021. This is a continuation of the stellar performance of the index in previous years (after 18 percent in 2020 and 30 percent in 2019).

The U.S. stock markets recorded another positive performance last year. For example, following already strong gains in previous years, the U.S. Dow Jones Industrial Average posted a 19 percent gain in 2021 and closed near its all-time high. The wider S&P 500 Index as well as the technology index NASDAQ 100 even surged 27 percent by December 31, 2021.

In 2021, global equity markets continued to be supported by monetary easing, the sustained high levels of the bond purchasing programs, and central banks in developed economies keeping interest rates close to zero. This massive injection of liquidity had also laid the foundation for the rise in the markets since the 2008/2009 financial crisis. During the fight against the pandemic in 2021, the multi-billion dollar aid and stimulus programs of individual countries also supported the economy and the stock markets.

In mid-December 2021, however, the Federal Reserve Bank (Fed) announced that it would end its bond purchasing programs earlier than planned in view of strongly rising inflation. By March 2022, the accommodative monetary policy is planned to be scaled back, and immediately thereafter, interest rates, which traditionally have a high impact on real estate stocks in particular, could be increased according to many market participants. The Fed is thus initiating the cycle of interest rate hikes, something which has long been feared by most market participants. Nevertheless, the stock markets showed an extremely robust performance in the last two weeks of 2021, bringing many indices close to their highs for the year.

However, German real estate equities were unable to follow the positive trend of the overall market in 2021. Compared with the FTSE EPRA Nareit Germany Index, real estate stocks lost around 7 percent of their value in 2021. After a weak start to the year in January and February, the sector index made dynamic gains until mid-August, but subsequently gave back some of the price gains and ended the year 2021 at a closing price of 1,367 points. In addition to the fears of significant interest rate hikes in 2022 fueled by the Fed's comments in mid-December 2021, this is likely to be mainly due to the problems of Chinese project developer Evergrande. The company, which has debt in the amount of €300 billion, can no longer service some of its bonds and is officially insolvent, according to rating agencies. This weighed on the prices of almost all real estate stocks in the last quarter of 2021.

The sector was likely also burdened by the significant rise in inflation, which will become a problem for owners of residential housing, above all if rents cannot be increased accordingly. In addition, the "rental cap" continues to hover over the sector like the Sword of Damocles.

Presumably due to the impact of the coronavirus pandemic, there has also been a reversal in the trend between the two major blocks of residential and commercial real estate, respectively. Both share price performance and market sentiment (as measured, for example, by Kirchhoff Consult's sentiment indicator for real estate equities for 2021 published on March 30, 2021) have turned significantly in favor of the residential segment. Companies with a focus on residential real estate holdings recovered more rapidly overall than those with an exposure in the areas of office, retail and hotel properties as well as in project development.

However, the shares of the two largest German residential real estate stocks, Deutsche Wohnen and Vonovia, have also fallen significantly since mid-August 2021, in line with the sector index. In addition to the Evergrande case, stock market news in the past year were also dominated by the merger of Germany's two largest real estate stocks, Deutsche Wohnen and Vonovia, which was approved by the antitrust authorities at the end of June 2021.

PERFORMANCE OF THE GATEWAY SHARES

The shares of Gateway Real Estate AG started the year 2021 at an opening price of €3.06 and, following a sideways movement at the beginning of the year, worked its way up to an interim high of €3.50 from early March to mid-April. Subsequently, prices tended to fall over a period of several months. On September 27, 2021, GATEWAY shares reached their low for the year of €2.44 on XETRA and, following a year-end rally, closed at a XETRA price of €4.03.

During the reporting period, the price range of the GATEWAY shares on the XETRA trading platform was between €2.44 and €4.03, with the latter price being reached on the last trading day of the year (December 30, 2021). Looking at the year 2021 as a whole, GATEWAY thus gained around 35 percent in stock market value and was able to recapture the roughly equal losses incurred in 2020.

GATEWAY's market capitalization amounted to approximately €753 million at the end of the fiscal year 2021.

ANNUAL GENERAL MEETING

The Annual General Meeting of Gateway Real Estate AG was held on August 25, 2021, once again as a virtual general meeting due to the coronavirus pandemic. The legal basis for this measure was established by the German legislator through the introduction of the "Act on Corporate, Cooperative, Association, Foundation and Residential Property Law to Combat the Effects of the COVID-19 Pandemic". The Executive Board and Supervisory Board did not decide to postpone the Annual General Meeting, but instead resolved to make use of the option to hold a virtual Annual General Meeting.

All resolution proposals made by the Management Board and the Supervisory Board were approved by a large majority of the Annual General Meeting. Further information and details on the voting results of the Ordinary Annual General Meeting 2021 can be found on the Company's website under:
https://www.gateway-re.de/fileadmin/editor/downloads/HV_2021/Gateway_RE_AG_HV_2021_Abstimmungsergebnisse.pdf

SHAREHOLDER STRUCTURE

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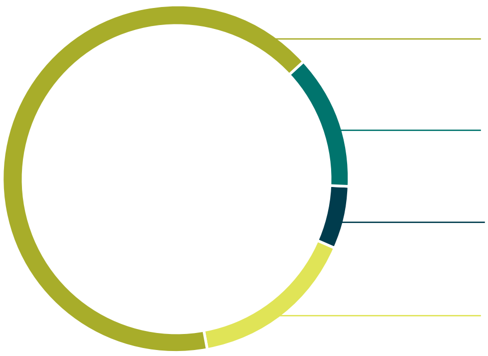
SHAREHOLDERS STRUCTURE AS OF DECEMBER 31, 2021



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SHARE INFORMATION

ISIN/WKN	DE000A0JJTG7 / A0JJTG
Number of shares	186,764,040
Share capital	€186,764,040.00
Ticker symbol	GTY
Market segment	Regulated market (Prime Standard)
Subsector	Real estate
Trading venues	XETRA, Frankfurt am Main, Duesseldorf, Munich, Berlin, Hamburg, Stuttgart
Designated Sponsor	Credit Suisse
Opening price (January 4, 2021)	€3.06
Closing price (December 30, 2021)	€4.03
Highest price (December 30, 2021)	€4.03
Lowest price (September 27, 2021)	€2.44
Market capitalization (December 30, 2021)	€752.7 million

INVESTOR RELATIONS ACTIVITIES

The coronavirus pandemic in the fiscal year 2021 also had an impact on our investor relations activities. Nevertheless, the Company participated in the following three investor conferences by virtual attendance:

February 24, 2021	ODDO SEYDLER Digital Small & Mid Cap Conference 2021
June 10, 2021	Quirin Champions Conference 2021
November 24, 2021	Deutsches Eigenkapitalforum 2021

GROUP MANAGEMENT REPORT OF GATEWAY REAL ESTATE AG

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GROUP MANAGEMENT REPORT OF GATEWAY REAL ESTATE AG

1. FUNDAMENTAL INFORMATION ON THE GROUP

1.1 BUSINESS MODEL

Gateway Real Estate AG (in the following also referred to as "GATEWAY", "Company" or "Group", in each case referring to the GATEWAY Group as a whole) is a leading listed developer of residential real estate in Germany with a market capitalization of around €753 million (as of December 30, 2021). Established in 2006, GATEWAY and its subsidiaries can look back on extensive expertise in the German real estate market and are currently (as of December 31, 2021) developing real estate with a gross development volume (GDV) of more than €7 billion.

In this context, GATEWAY focuses on Germany's Top 9 cities – Berlin, Dresden, Duesseldorf, Frankfurt am Main, Hamburg, Cologne, Leipzig, Munich and Stuttgart – as well as on selected high-growth areas and covers all of the important steps in the value creation chain of a development project with its own in-house teams. In all of its project developments, GATEWAY pursues the strategy of generating attractive margins and, at the same time, minimizing the project development risk by means of a detailed process management. In fiscal year 2020, the Management Board and the Supervisory Board jointly decided to build residential real estate in future also for the Company's own portfolio (build-to-hold). In the context of this extended corporate strategy, GATEWAY increasingly seeks to develop residential real estate for long-term holding and administration to generate sustainable rental revenues. Accordingly, the Standing Assets and Residential Properties Development segments will be expanded further in the medium term. As set out in an ad hoc release dated February 3, 2021, GATEWAY sold all its shares in Development Partner AG and, except for three commercial properties development projects in Berlin, has discontinued nearly all its activities in the Commercial Properties Development segment in order to focus its development activities, in future, increasingly on the Residential Properties Development segment and develop residential real estate and urban quarters. As the necessary shareholder approval could not be obtained, the three development projects for commercial properties in Berlin remain in GATEWAY's ownership and will be sold over time.

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

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

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

GATEWAY continues the existing standing asset business of commercial real estate in order to diversify risks.

EMPLOYEES OF THE GATEWAY GROUP

As of December 31, 2021, the GATEWAY Group employed 22 (previous year: 55) and 25.8 (previous year: 55.4) employees on average for the year, in addition to the Management Board. The change is attributable to the fact that employees of Development Partner are no longer included, partially offset by the start of establishing a new development organization at the new office in Berlin.

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

1.2 MANAGEMENT SYSTEM

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

- **Standing Assets**: This segment covers a profitable and diverse portfolio of existing properties. The portfolio includes properties which in future are planned to be developed in part by the Company itself, as well as properties revitalized or constructed by the Company and further individual properties. This segment's 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 Development segment. The objective of this segment is to develop attractive and high-quality office buildings with modern architecture and flexible usage formats. In the past, these activities were concentrated on the Top 9 cities in Germany and on selected metropolitan areas such as Nuremberg. Upon the sale of Development Partner AG in February 2021, the Commercial Properties Development segment was discontinued and, as of December 2021, was reduced to three projects located in Berlin. Upon the planned sale of these properties classified as inventories, the corresponding activities in the Commercial Properties Development segment will be discontinued in line with the amended business strategy.
- **Residential Properties Development segment:** In the Residential Properties Development segment, the Group focuses on development activities in selected metropolitan regions in Germany, normally Germany's Top 9 cities as well as high-growth regions (cities with a population of at least 100,000 people such as Mannheim, Augsburg and Chemnitz). The focus here is on the new construction of medium-sized apartment buildings for modern affordable living and mixed-use properties and real estate. So far, joint ventures with local project developers and general contractors were regularly established in this segment. In future, however, the Group wants to develop the majority of its assets on its own and also plans to transfer residential real estate developments into its own portfolio after completion.

The **internal management system** at GATEWAY essentially consists of the following components:
- Planning, process and risk management
- Project controlling including sensitivity analyses
- Structured management reporting
- Financial indicators and real estate industry control indicators

FINANCIAL PERFORMANCE INDICATORS

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

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

1.3 CORPORATE GOVERNANCE STATEMENT

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

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

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

2. REPORT ON ECONOMIC POSITION

2.1 GENERAL STATEMENT ON THE REPORT ON ECONOMIC POSITION

The adjustment of the strategic direction of the GATEWAY Group adopted in the previous year had a positive impact on the operating business development of the reporting year 2021 due to the implementation measures that have already been taken. In this context, the discontinuation and almost full disposal of the Commercial Properties Development business area in February 2021 as well as the deconsolidation of the related companies in March 2021 had a positive effect on the Group's earnings.

Moreover, detailed planning measures have been started for the project "Quartiere am Blüherpark", which was newly acquired in the fiscal year under review. Due to the intention to hold an existing building on a long-term basis for capital appreciation and to earn rentals at a later stage, this construction phase was classified as an investment property and measured at fair value through profit or loss.

Overall, Group equity was thus strengthened significantly. Total assets increased further, driven by the acquisitions of residential development projects made in the year under review. Accordingly, the equity ratio fell from 32.2% to 30.4%.

GATEWAY believes that the economic, sociodemographic and industry-specific development in 2021 in Germany, and especially in the cities in which GATEWAY operates, is a positive indication for the Group's future business activities. Although the coronavirus pandemic continued to dominate the past 2021 fiscal year to a significant extent, the general economic conditions for Germany's economy as a whole and the real estate sector in particular improved again. Despite the ongoing pandemic, there was no decline in economic output in 2021 as in 2020, but rather a year-on-year increase in the gross domestic product in Germany of 2.8%. However, GATEWAY certainly was able to reduce risks through the discontinuation and the almost full disposal of the Commercial Properties Development business area at the beginning of 2021. The Company believes that the decision to focus its activities in the area of project developments intended for sale in future exclusively on the residential business, which has been characterized by a positive outlook for the future despite the pandemic, is a confirmation of its strategy after the second year of the pandemic.

Although the European Commission, in its Winter Forecast 2022, forecasts growth for Germany and the EU economy, it is currently hardly possible to make reasonable forecasts in the wake of the COVID-19 crisis. In addition, there are other factors causing uncertainty, such as several geopolitical tensions where the related global political and economic effects can be identified already. These include, for example, the Ukraine conflict between Russia and NATO, the overlapping territorial claims in the South China Sea, and the tense relations between China and the USA concerning Taiwan, among others. Furthermore, high energy prices and increased inflation rates have been recorded in the euro area since the fourth quarter. Reliable forecasts cannot be made at present in view of this background.

2.2 ECONOMIC FRAMEWORK

2.2.1 MARKET ENVIRONMENT/MACROECONOMIC SITUATION

The year 2021 continued to be largely driven by the effects of the global coronavirus pandemic. However, in most economies, the historic economic decline in 2020 eventually translated into a significant increase, not least due to base effects.

Due to the fact that the negative impact of the pandemic on the macroeconomic indicators of the German economy fully unfolded only from mid-March 2020, gross domestic product (GDV) still declined by 1.7% in the first quarter of 2021 compared with the strong first quarter of the previous year, according to the German Federal Statistical Office (Destatis). From the second quarter of 2021 onwards, there was an initial recovery in economic output by 2.2% compared with the very weak prior-year quarter. Growth in the third quarter of 2021 was 1.7%, while it decelerated further to 1.4% compared with the fourth quarter of the previous year, driven by rising infection figures due to the SARS-CoV-2 variants Delta and Omicron and noticeable supply bottlenecks for electronic components and construction materials.

Accordingly, Germany fell into recession during the COVID-19 crisis in 2020, after a 10-year period of growth. However, the economy picked up noticeably in 2021. According to the Federal Statistical Office (Destatis), Germany's gross domestic product for 2021 as a whole was 2.8% above the previous year's level (adjusted for price, seasonal and calendar effects), but was still unable to fully offset the 4.9% decline in 2020.

Following the pronounced downturn in the European economy in 2020, the economic recovery resumed in 2021. According to Eurostat, in the first quarter, real gross domestic product in the 27 EU member states was still 1.1% below the level achieved in same quarter of the previous year. However, economic output in the second quarter already exceeded the prior-year quarter by 13.8%. In the third quarter, the EU economies also posted a year-on-year increase of 4.1%.

A significant increase in domestic demand, the considerable uptick in the jobs market and the decline in the savings rate, which had been very high during the first phase of the pandemic, were the main reasons for the transition from a recovery to an expansion phase of the economy. Based on the European Commission's Autumn Economic Forecast, an annual GDV growth rate of 5% is expected for the EU economy for 2021 as a whole. This rate, however, is expected to fall back to 4.3% in 2022 and 2.5% in 2023. Two factors will have a major influence on the prospects of future development: On the one hand, the further course of the coronavirus pandemic will be a major factor; on the other hand, it remains to be seen how well the supply side can keep pace with the rapid recovery of demand following the economic upturn.

The International Monetary Fund (IMF) estimates global economic growth of 5.9% in 2021, according to its January 2022 World Economic Outlook Update.

However, strong price pressure, driven in particular by high energy prices, caused inflation in the eurozone to rise to 5.0% in December 2021, a level not seen since 2008. Nevertheless, the European Commission sees this massive price increase as only a temporary phenomenon and expects a decline to 2.5% as early as 2022 and to 1.6% in 2023.

According to the Federal Statistical Office, consumer prices in Germany increased by 5.3% in December 2021 compared to the same month a year earlier, marking the highest level of the year. This resulted in an annual average inflation rate of 3.1% for 2021.

The European Central Bank (ECB) lowered its main refinancing rate and the interest rate on the marginal lending facility to 0.00% and 0.25%, respectively, on March 16, 2016, and has left these rates unchanged since then. The interest rate on the deposit facility was set at -0.50% at the ECB's Governing Council meeting on September 12, 2019, and has remained unchanged since then. On February 2, 2022, the ECB confirmed the currently applicable interest rates on the main refinancing operations as well as the interest rate on the marginal lending facility and the interest rate on the deposit facility.

2.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

According to figures from the German Federal Statistical Office, Germany's population remained unchanged at around 83.2 million in 2020 and 2021. In 2021, the number of deaths significantly exceeded the number of births, but this was offset by increased net immigration.

The development in Germany is characterized by considerable regional differences. Overall, there is a west-east gap: While the population continued to increase in all of the states of former West Germany, the population declined in almost all of the new German states (excluding Berlin), according to figures published by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (Bundesinstitut für Bau-, Stadt- und Raumforschung; BBSR). However, this should be different in the future, especially for the city of Leipzig. Among all urban and rural districts in the new federal states, Leipzig will show a particularly strong increase in children and young people (+25%), according to BBSR, while Berlin, Potsdam, Dresden, Erfurt, Rostock, Jena and Chemnitz may also see growth of at least 5%.

One of the striking characteristics in this context is the higher average age of the population in both the old and new federal states. In 2020, according to Statista, the average age ranged from 46.9 to 48.1 in the five new states, significantly above the average age in the old states, where it was between 42.1 years in Hamburg and 46.5 years in Saarland.

According to the forecast of the Federal Statistical Office dated September 30, 2021, as regards changes in age groups, the aging of the population is continuing at a rapid pace. Accordingly, the share of people over the age of 67 is expected to increase to 22% by 2035, and the number of retired people is likely to grow from 16 million in 2020 to 20 million in 2035.

Despite largely stable population figures, the number of private households will rise from 41.4 million in 2020 to 42.6 million in 2040, according to calculations by the Federal Statistical Office. The reasons for this increase include the decline in marriages and births, increasing partnerships with separate dwellings, the continued aging of the population combined with improving physical conditions of older people who are able to live in their own household for a longer time, and increasing requirements with respect to occupational mobility, which is driving the trend toward smaller households. According to the projections, single-person households will increase from 17.3 million to 19.3 million between 2020 and 2040, while two-person households will increase from 14.0 million to 14.1 million. Households with three or more persons will decline from 10.1 million to 9.2 million.

In addition, the megatrend of "urbanization" slowed down in the year under review. According to the Federal Statistical Office, almost 30% of the German population lived in large cities with 100,000 or more inhabitants at the end of 2020. While this share had seen a continued rise of 0.7% per year since 2011, growth came to a halt in 2020. The number of people living in large cities fell by 0.1% in 2020, as fewer people – mainly young adults – moved in from Germany and abroad due to the pandemic.

More than one in eight residents (12.9%) in cities with more than half a million inhabitants are considering leaving within a year, according to a survey conducted by the Munich-based ifo Institute and the real estate portal Immowelt. In particular, families with children and people of a younger age group seeking to start a family tend to move away from city centers to suburban areas, the so-called "Speckgürtel" or commuter belts of major cities. In the May 2021 survey of a total of 18,000 people, 5.3% of more than 7,000 people living in big cities said they planned to leave the city within six months, while a further 7.6% intended to move away from the city within 12 months.

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

After declining in the first year of the pandemic of 2020, German economic output increased in almost all sectors of the economy in 2021, but did not yet return to the pre-crisis levels of 2019. According to preliminary calculations of the German Federal Statistical Office (Destatis), price-adjusted gross value added in the manufacturing sector increased significantly by 4.4% year-on-year. Likewise, most service sectors reported noticeable increases compared to 2020, but the price-adjusted gross value added of other service providers, which include sports, culture, entertainment and the creative industries, was actually still 9.9% below the pre-crisis levels of 2019. Against the backdrop of pandemic-related restrictions, the combined trade, transport and hospitality sector recorded a year-on-year increase of 3.0% in 2021. In contrast, the economic output in the construction industry declined by 0.4% in 2021, albeit from a high level.

In 2021, price-adjusted private consumer spending stabilized at the low level of the previous year, thus remaining below pre-crisis levels. As in 2020, public consumer spending supported growth in the German economy in 2021. On a price-adjusted basis, they increased by 3.4% year-on-year mainly due to higher spending for the free rapid antigen tests introduced nationwide in spring 2021 and the availability of COVID-19 vaccines.

After sharp setbacks in 2020, foreign trade recovered in 2021 and exports increased by 9.4% in price-adjusted terms. In the same period, imports increased by 8.6% in price-adjusted terms, meaning that overall foreign trade was only slightly below the level seen in 2019.

Due to bottlenecks in labor and materials, construction spending increased by only 0.5% in 2021, after higher growth rates had been achieved in each of the five previous years. Investments in equipment, above all in machinery, tools and vehicles, increased by 3.2% in 2021 in price-adjusted terms, after falling sharply during the COVID-19 crisis in 2020.

According to preliminary calculations by the Federal Statistical Office (Destatis), around 45.3 million people residing in Germany were employed in December 2021. This represents a seasonally adjusted increase of 49,000 persons, or 0.1%, compared to November 2021. In the months of March to September 2021, the number of employed persons had grown by an average of 55,000 people or 0.1%. When comparing December 2021 with December 2020, this is an increase by 483,000 people, or 1.1%. However, this means that the number of people in employment is still below the pre-crisis level: Compared with February 2020, the month before the start of the COVID-19 crisis in Germany, the number of people in employment had fallen by 0.4% or 198,000 in December 2021. According to calculations by the Federal Statistical Office, 1.27 million people were unemployed in Germany in December 2021. This represents a decline by 21.9% or 355,000 people compared to December 2020. Accordingly, the unemployment rate declined from 3.7% to 2.9% during the year under review.

According to the German Federal Employment Agency, unemployment rates in GATEWAY's focus cities ranged from 2.8% in the Augsburg region to 9.8% in Berlin on average for 2021. Between these two cities were Munich (4.6%), Stuttgart (5.1%), Dresden (6.1%), Frankfurt am Main (6.6%), Mannheim (7.2%), Chemnitz (7.2%), Leipzig (7.3%), Hamburg (7.5%), Duesseldorf (7.8%) and Cologne (9.3%).

2.2.4 DEVELOPMENT OF REAL ESTATE MARKETS

According to JLL, the transaction volume on the German real estate market, including the living segment, amounts to a total of €111 billion in 2021. This corresponds to growth of 36% year-on-year. Around 70% of the transactions, representing a volume of €77 billion, were conducted in the second half. This even surpassed the previous record year of 2019, when real estate transactions had a volume of €91.8 billion.

According to JLL, the largest deals were three residential portfolios as part of the merger of Vonovia and Deutsche Wohnen with a volume of €23.5 billion. In the office sector, Frankfurt's T1 office tower changed hands for around €1.4 billion. The sale of three Oppenheim/Esch funds in Cologne for €1.1 billion to RFR was also among the largest transactions in 2021. The volume of individual transactions in 2021 exceeded that of the previous year by 20%. Property portfolios in a total volume of €58.5 billion were sold.

Office market

According to JLL, office properties accounted for almost 25% or €27.5 billion of the total transaction volume in 2021; up 12% compared to 2020.

According to a study by the ifo Institute, around 27.9% of all employees worked from home in December 2021, while the percentage even was as high as 31.7% in March 2021. Currently, it is not yet possible to precisely estimate what specific impact the increase in hybrid work models will have on office workplaces and future demand for space. Nevertheless, JLL noted a renewed stark increase in demand for office space in the fourth quarter of 2021, with take-up in Germany's seven largest office markets totaling 3.29 million sqm by the end of December. This is an increase of just above 23% compared to the previous year. For the year as a whole, office take-up is only 13% below the average for 2016 to 2020, but is still far off from the figures during the financial crisis in 2008 and 2009.

According to JLL, the city with the highest take-up was Berlin, where a total annual take-up of 870,800 sqm was achieved, up 16.8% compared to 2020. This was followed by Munich with 662,700 sqm or growth of 16.3% year-on-year. Frankfurt am Main recorded an annual take-up of 467,900 sqm, up 39.2% on the previous year. In Hamburg, the increase was 34.2% to 488,000 sqm. That said, Cologne recorded the highest increase of 58.3% to 329,500 sqm. Growth was also recorded in Duesseldorf (325,900 sqm, up 7.5%) and Stuttgart (144,000 sqm, up 2.3%).

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DEVELOPMENT OF OFFICE SPACE TAKE-UP IN THE A CITIES

in sqm	2021	2020
Berlin	870,800	745,300
Duesseldorf	325,900	303,100
Frankfurt am Main	467,900	336,100
Hamburg	488,000	363,700
Cologne	329,500	208,200
Munich region	662,700	569,800
Stuttgart	144,000	140,700

Source: JLL

After vacancy rates remained on low levels of 3.0% in 2019 and still 3.7% in 2020 and there was a massive shortage of office space in five major cities, strong construction activity on the one hand and initially subdued office space take-up on the other led to a year-on-year increase of 17% in the vacancy volume in 2021 to around 5.1 million sqm. It was not until the fourth quarter of 2021 that the increase in vacancy rates at all locations had slowed down noticeably. In Cologne, vacancy rates fell by 10% in the fourth quarter compared with the previous quarter.

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DEVELOPMENT OF THE VACANCY RATE ON THE A CITIES OFFICE MARKET

in %	Q4 2021	Q4 2020
Berlin	4.1	2.8
Duesseldorf	7.8	6.8
Frankfurt am Main	7.7	6.1
Hamburg	3.8	3.0
Cologne	3.4	2.6
Munich region	3.9	3.5
Stuttgart	1.7	2.1

Source: JLL

While top rents in Cologne were already seen rising again in the second quarter of 2021 (to €26.50 per sqm in the fourth quarter), Frankfurt am Main has the highest rents (€42.50 per sqm), followed by Munich (€42 per sqm) and Berlin (€39 per sqm).

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DEVELOPMENT OF THE PRIME RENTS ON THE A CITIES OFFICE MARKET

in €/sqm	Q4 2021	Q4 2020
Berlin	39.00	38.00
Duesseldorf	28.50	28.50
Frankfurt am Main	42.50	41.50
Hamburg	31.50	31.00
Cologne	26.50	26.00
Munich region	42.00	41.00
Stuttgart	25.50	25.50

Source: JLL

Retail market

Only 8% or €8.5 billion of the 2021 transaction volume involved retail properties, according to JLL. Of that amount, 64% or €5.3 billion refer to the second half. The total transaction volume was another 18% below the prior-year figure of €10.4 billion. This is also reflected in the number of large transactions with a volume of more than €100 million, which fell from 20 to 11 within a year's time. Whereas a total of 283 retail property transactions were recorded in 2020, the figure for 2021 was merely 266.

With a total of €6 billion, specialty store assets were the main investment target within the asset class. Specialty stores, supermarkets and discounters as well as predominantly food-anchored specialty retail parks accounted for over 70% of capital invested. The fact that these products were still in high demand among investors was partly due to the fact that, firstly, they are considered to be particularly resistant against online competition and, secondly, they remained open during the lockdown in the first half of the year. According to JLL, commercial properties accounted for 20% of the transaction volume, while only 6% and 3% of capital invested referred to shopping centers and department stores, respectively.

The largest transaction in 2021 was the sale of the portfolio of 34 former Real stores, comprising a combined 425,000 sqm of space. The portfolio was acquired by real estate company x+bricks from SCP. In addition, Patrizia sold the specialty store portfolios "Touchdown" and "Powerbowl".

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DEVELOPMENT OF PRIME RETAIL RENTS IN A CITIES

in €/sqm	Q4 2021	Q4 2020
Berlin	310	330
Duesseldorf	275	290
Frankfurt am Main	290	310
Hamburg	265	280
Cologne	235	250
Munich	340	360
Stuttgart	260	270

Source: JLL

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DEVELOPMENT OF RENTAL REVENUE FROM RETAIL SPACE IN A CITIES

in sqm	Q4 2021	Q4 2020
Berlin	42,800	31,400
Duesseldorf	28,800	23,700
Frankfurt am Main	15,000	7,200
Hamburg	21,500	22,700
Cologne	16,100	14,500
Munich region	12,000	8,300
Stuttgart	8,800	6,500

Source: JLL

The comparatively high demand for specialty store assets is leading to continued compression in yields. Yields for individual specialty stores, for example, fell by ten basis points to 4.5%, while prices paid for specialist retail parks led to a decline in yields by as much as 40 basis points to 3.5%. By contrast, prime yields for commercial properties in the top locations of major cities remained unchanged. Munich remains the most expensive location at 2.40%, followed by Berlin (2.60%), Hamburg (2.80%) and Frankfurt am Main (2.90%). Prime yields in Duesseldorf were 3.10%, those in Cologne and Stuttgart amounted to 3.30% each.

Residential real estate market
According to JLL, the combined transaction volume for residential properties, nursing homes and student housing totaled €52.2 billion. Thus, 47% of the total transaction volume was attributable to the residential and living asset class.

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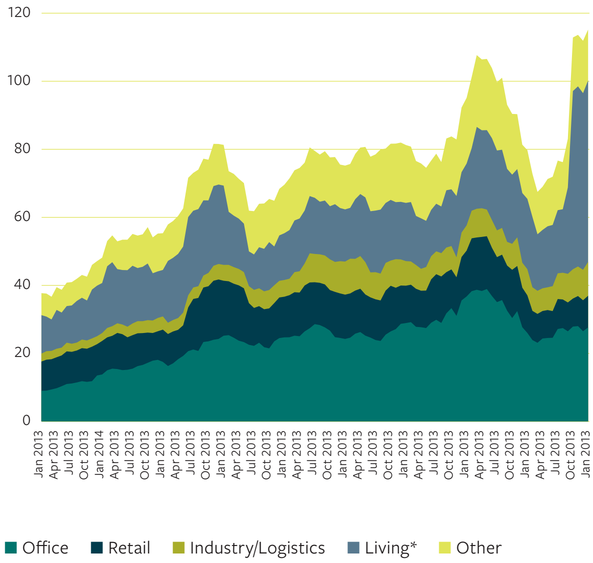
TRANSACTION VOLUME IN THE GERMAN INVESTMENT MARKET (LAST ROLLING 12 MONTH PERIOD)



Source: Savills *Only transactions with at least 50 residential units

According to JLL, this means that the German residential investment market in 2021 significantly exceeded expectations and also equaled the previous record of €25 billion set in 2015. This was made possible primarily by large-volume transactions. The largest transaction of the year and of the German residential investment market in general was the acquisition of Deutsche Wohnen by Vonovia for €23.5 billion. Another major transaction was the sale of two residential portfolios in Berlin and Hamburg by Swedish real estate company Akelius to Heimstaden (Sweden) for an estimated purchase price of more than €5.0 billion. In addition, the state of Berlin acquired residential portfolios from Deutsche Wohnen and Vonovia for around €2.5 billion. Overall, the five largest transactions in 2021 totaled €32.5 billion, thus accounting for 65% of the total transaction volume. In 2020, the share of the five sales transactions involving the largest volumes were a combined 39%. Transactions in the triple-digit million euro range accounted for a total of 83% in 2021, compared with 63% the year before.

According to JLL, institutional investors investing in residential real estate assets also attach importance to properties that meet the requirements in terms of environmental and social sustainability as well as good corporate governance – the so-called ESG criteria. This development was further accelerated by the new EU taxonomy. JLL expects that investors will increasingly look for properties that are taxonomy compliant pursuant to Articles 8 and 9 of the EU Disclosure Regulation and that corresponding redevelopment activities in existing portfolios will be intensified.

According to JLL, project developments were in high demand in 2021 – even long before being completed. Forward deals reached a new record level of 105 transactions, thus accounting for around 24.5% of the transactions in 2021, up 3.5 percentage points compared to 2020.

According to JLL, 2021 was characterized by noticeable price increases. In 2021, the compression in yields continued as expected. This is a result of the increasing demand for cash flow generating investments from funds and insurance companies, which are becoming increasingly active in the residential investment market and thus increase the number of interested parties. Mutual funds and special funds focusing on residential real estate stepped up their investments. Asset managers were the major sellers, accounting for a share of 54% in 2021. Developers accounted for 9% of the sales. The buy-side was dominated by listed real estate companies (50% of buyers). Asset manager's share in acquisitions was around 17%, while that of real estate entities was 18%.

According to JLL, the focus of investment activity in 2021 was on Germany's seven largest cities, which accounted for 69% of the transaction volume. Berlin recorded the largest share with a transaction volume of €26.2 billion, followed by Frankfurt am Main (€3.2 billion), Hamburg (€2.7 billion) and Leipzig (€1.1 billion).

The housing market might gain additional momentum if the new government coalition of SPD, Greens and FDP pushes new construction and achieves its target of 400,000 new apartments per year. The previous government had missed its target of 375,000 new apartments per year. For the first time in nearly 20 years, the number of new apartments built exceeded the threshold of 300,000 in 2020, according to the German Federal Institute for Research on Building, Urban Affairs and Spatial Development. This was a year-on-year increase of more than 13,000 apartments or 4.6%. At the same time, however, as of the end of 2020, some 779,000 apartments had been approved but not yet completed. Between January and November 2021, a further 341,037 apartments were approved – an increase of 2.8% on the same period last year.

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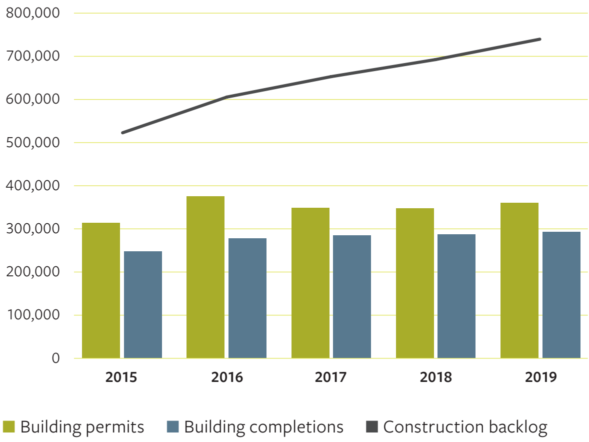
DEVELOPMENT OF BUILDING PERMITS, COMPLETIONS AND CONSTRUCTION BACKLOG IN GERMANY



Source: Federal Statistical Office (Genesis)

In addition to ambitious targets for new residential construction, the EU Taxonomy Regulation that came into force on January 1, 2022 also introduced high sustainability targets for investments. Achieving these goals is subject to costs, while the scarce supply of raw materials makes construction more expensive and leads to an overall slowdown in construction activities. According to JLL, prices for traditional new residential construction in Germany were up to 12.6% higher as of the end of 2021 compared with the previous year.

The residential markets in GATEWAY's focus cities (A cities plus Augsburg, Dresden, Leipzig, Mannheim and Chemnitz) showed a positive development in 2021 in terms of quoted rents and vacancy rates. In Augsburg, with a population of nearly 296,000, dynamic population growth exercised sustained pressure on the housing market, according to Schick Immobilien. The vacancy rate is 0.6%, according to Engel & Völkers Commercial. The average quoted rent increased in 2021 by 4.1% year-over-year to €11.34 per sqm. Engel & Völkers Commercial expects that between 125 and 140 transactions with a volume of between €220 million and €260 million were concluded in Augsburg in 2021.

In Chemnitz, the increase in employment as well as income growth led to an increase in demand, especially for high-quality apartments, despite a decline in the population to 244,000 inhabitants in recent years, according to Schick Immobilien. However, according to Engel & Völkers Commercial, the vacancy rate in 2021 was relatively high at 8.9%. Nevertheless, the average quoted rent rose by 3.0% to €5.50 per sqm in 2021. After 106 transactions with a total volume of €181 million in 2020, a transaction volume of up to €180 million is expected for 2021 with an estimated number of purchases of between 245 and 265 deals.

In Dresden, according to Schick Immobilien, the number of transactions involving multi-family houses declined by approximately 20% in the first half of 2021, with 135 completed sales contracts. The transaction volume shrank by around 50% to €202.7 million. Engel & Völkers Commercial forecasts a transaction volume of up to €800 million for 2021 as a whole, involving around 270 to 290 transactions. In Saxony's state capital, with a population of around 562,000, the 2021 vacancy rate was 1.6%. The average quoted rent increased by 3.1% to €8.22 per sqm.

For the first time in six years, Cologne recorded a decline in its population, albeit a slight one. According to the Office of Urban Development and Statistics, Cologne had a population of 1.09 million in 2020. Although population growth has slowed recently, the Cologne residential market remains attractive for investors with investments of €791 million in 2021, according to BNP Paribas Real Estate. Housing space remains scarce in Cologne. The vacancy rate is only 0.9%, according to Engel & Völkers Commercial. Correspondingly, the average quoted rent in 2021 increased by 4.1% to €12.55 per sqm within twelve months. Most recently, market interventions such as the rental cap have subdued the rise in rents, while the increase in purchase prices has slowed at a high level. In 2021, an estimated 1,000 to 1,100 residential transactions with a total volume of up to €600 million were completed.

With a population of 605,000, Leipzig is the biggest city of the state of Saxony. The population grew between 2015 and 2020 by 6.6%. According to Schick Immobilien, the number of purchase transactions for redeveloped multi-family homes fell in the first half of 2021, while the trend toward rising prices has continued. In the first half of 2021, prices for multi-family homes increased by 8%. According to Engel & Völkers Commercial, the vacancy rate for residential units is 2.7%, the quoted rent increased by 6.6% to €7.74 per sqm in 2021. For 2021, the expected number of transactions ranges from 290 to 305, with a total volume of between €630 million and €650 million.

According to Mannheim's Municipal Statistics Office, around 322,000 people had their primary residence in Mannheim at the end of 2021. Only 1.4% of the apartments located in the city are vacant, according to Engel & Völkers Commercial. The average quoted rent increased by 0.5% year-over-year to €10.35 per sqm. A transaction volume of €310 million to €350 million involving 215 to 235 transactions is forecast for 2021.

According to the Federal Statistical Office, rents for apartments will continue to rise, with rents in the residential market rising across Germany by 9% until the end of December 2021, based on prices for the year 2015. According to empirica figures, Munich is the leader in the rental price ranking as the most expensive city with an average quoted rent of €19.37 per sqm for new apartments. In Frankfurt am Main, the average rent is €16.11 per sqm and in Stuttgart €15.22 per sqm. The momentum of rent increases differs greatly from region to region, with one of the highest growth rates recorded in Berlin where rents were up more than 40% between 2016 and 2021. The advertised quoted rents in Berlin averaged €14.75 in the fourth quarter of 2021.

The analysis of transaction data by vdpResearch shows that all prices for homes as well as condominiums and owner-occupied residential property, both in nominal terms as well as adjusted for inflation, once again showed a considerably more dynamic upward trend in the first half of 2021 than in previous years. The development of new contract rents is the only segment that has lagged price development and capital values significantly in recent years.

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NOMINAL AND INFLATION-ADJUSTED PRICE AND RENT DEVELOPMENT

Average annual change in %	2019	2020	H1 2021
House prices	7.0	7.6	9.9
Prices for condominiums	5.9	6.7	11.2
Prices for owner-occupied residential property[1]	6.8	7.4	10.1
New contract rents for residential units	4.5	3.3	2.8
Capital values for multi-family homes[2]	6.2	6.2	9.0
Prices for residential property, total	**6.5**	**6.8**	**9.6**
House prices	5.6	7.1	8.0
Prices for condominiums	4.5	6.2	9.3
Prices for owner-occupied residential property	5.4	6.9	8.3
New contract rents for residential units	3.1	2.8	1.0
Capital values for multi-family homes	4.8	5.7	7.2
Prices for residential property, total	**5.1**	**6.3**	**7.7**

1 Prices for owner-occupied residential property are calculated as a weighted average of house prices and prices for condominiums.
2 The capital values for multi-family homes are calculated based on the ratio of rents to empirical property yields.

Source: vpdResearch, German Federal Statistical Office

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FORECAST FOR RESIDENTIAL PROPERTY

	Average rent upon first occupation in €/sqm			**Average rent upon first occupation** in % **year-on-year**		
	2020	**2021e**	**2022e**	**2020**	**2021e**	**2022e**
Berlin	14.9	16.0	16.4	7.2	7.4	2.5
Duesseldorf	13.3	13.5	13.7	1.5	1.5	1.5
Frankfurt a. M.	16.6	17.3	17.6	3.1	4.2	2.0
Hamburg	14.9	15.4	15.7	3.5	3.0	2.3
Cologne	13.6	13.9	14.1	2.3	2.2	1.5
Munich	20.5	20.7	20.9	3.5	1.0	1.0
Stuttgart	16.5	16.8	17.0	3.8	1.5	1.5
Average for top locations	**15.7**	**16.3**	**16.7**	**4.5**	**4.0**	**1.9**

Source: bulwiengesa, Scope, forecast of DZ Bank Research

2.2.5 COMPETITIVE SITUATION AND MARKET POSITION OF THE GROUP

In fiscal year 2021, GATEWAY competed with local, medium-sized real estate companies, municipal and community-owned companies, and listed real estate groups due to the Company's business activities in the individual markets and asset classes. Due to the lack of available projects, companies in the latter group in particular are increasingly pursuing a develop-to-hold strategy, i.e. project development for their own portfolio. In addition, the consolidation of the market is progressing, such as the merger of the second-largest housing group Deutsche Wohnen with market leader Vonovia in 2021.

However, in the past, GATEWAY did not primarily compare itself with large listed portfolio holders, such as Deutsche Wohnen SE or LEG Immobilien SE, which are building up their own development segments alongside their standing assets business. Instead, GATEWAY considered primarily listed German-speaking companies with a development focus as its competitors in the narrow sense. The group of competitors above all includes the SDAX-listed Instone Real Estate Group SE with a market capitalization of around €782 million as of December 30, 2021.

However, Eyemaxx Real Estate AG, which is also a listed real estate company and which is currently subject to insolvency procedures, can no longer be considered as part of the group of competitors. UBM Development AG, which is listed in Austria, but has large operations in Germany, expanded considerably measured by its market capitalization of around €322 million as of year-end 2021. The company is rather focused on office property developments and thus can no longer be seen as a direct competitor since GATEWAY sold its office development business with the sale of Development Partner in the reporting year 2021.

With a market capitalization of nearly €753 million as of December 30, 2021, GATEWAY is one of the top developers listed on the stock exchange. This is one of the reasons why it is rather the large listed residential property companies, with their own project development activities, which can be regarded as being GATEWAY's competitors in the future.

2.3 BUSINESS DEVELOPMENT

The fiscal year 2021 continued to be dominated by the COVID-19 pandemic. After a severe recession in 2020 – the year of the pandemic – the German economy entered a recovery and expansion phase in the past fiscal year 2021, but has not yet returned to its pre-crisis levels. Apart from the ongoing COVID-19 pandemic, there are further persisting adverse factors, especially the continuing disruptions affecting global supply chains in individual sectors as well as the noticeable rise in inflation. So far, the pandemic has not had a significant impact on the Group's business. GATEWAY was able to meet its forecast communicated for the full fiscal year 2021.

The fiscal year 2021 saw the implementation of the expanded corporate strategy, which had been resolved in the previous year; in future, the Company will increasingly seek to develop residential real estate. In February 2021, GATEWAY sold all its shares in Development Partner AG (the former subsidiary specializing in commercial properties development) and has thus largely discontinued its activities in the Commercial Properties Development segment. Also in February 2021, GATEWAY acquired two residential development sites in Cologne and Dresden. During the remainder of the year, the Company also managed to acquire additional residential development sites in Chemnitz and one city quarter development in Leipzig. The transfer of possession, benefits and obligations as regards the Leipzig development site is planned for the second quarter of 2022. As of year-end, another urban quarter development was acquired in Hamburg.

2.4 FINANCIAL PERFORMANCE, FINANCIAL POSITION AND CASH FLOWS

2.4.1 FINANCIAL PERFORMANCE

The financial performance in the year under review is characterized by the measures to implement the strategy adjustment resolved upon in the previous year. In this context, the successful disposal of the Commercial Properties Development business area in February 2021 as well as the deconsolidation of the related companies in March 2021 had a positive effect on the Group's earnings.

The transaction met the criteria set out in IFRS 5 for a presentation as a discontinued operation. Accordingly, presentation was adjusted also for the prior year quarter, and all expense and income items were reported separately in the statement of profit or loss.

Moreover, detailed planning measures have been started for the project "Quartiere am Blüherpark", which was newly acquired in the fiscal year under review. The office building, located on the second of three construction areas, will be revitalized and, after subsequent re-letting, held in the Company's portfolio for the long term. This is a particularly resource-conserving solution compared to a newly constructed building, especially with regard to sustainability. As a result of the change in use during the reporting year, this construction area was reclassified from inventories to investment properties and measured at fair value through profit or loss.

In the fiscal year 2021, a positive result from deconsolidation in the amount of €28.1 million was reported under other operating income of the discontinued operation. However, as the necessary shareholder approval could not be obtained, three development projects for commercial properties in Berlin remain in GATEWAY's ownership and will be sold over time. Contractual penalties of €16.0 million were incurred in this context.

The current results of the subsidiaries, which remained fully consolidated until March 2021, are also included in the consolidated statement of comprehensive income and reported in separate columns.

Revenue decreased to now €22.4 million, compared with a total of €55.5 million in the previous year. Of that amount, €10.3 million (previous year: €49.8 million) are attributable to the discontinued operation, which is allocated to the Commercial Properties Development business area in the amount of €5.0 million (previous year: €39.0 million) and to the Residential Properties Development business area in the amount of €5.2 million (previous year: €10.8 million). The revenue generated by the discontinued operation in 2021 mainly result from the progress toward completion of the three forward sales in the amount of €8.9 million (previous year: €43.1 million). The remaining revenue was mainly generated from lettings in the project companies.

Revenue of the continuing operation primarily results from lettings in the amount of €9.6 million (previous year: €4.9 million) and the disposal of land at a point in time in the amount of €2.4 million.

Gross profit amounted to €128.5 million (previous year: €204.7 million), which, in addition to the revenue mentioned above, comprises changes in inventories of finished goods and work in progress of €73.6 million (previous year: €144.9 million) – largely consisting of capitalized construction costs and construction period interest – and other operating income in a total amount of €32.5 million (previous year: €4.3 million).

The strategic adjustment implemented successfully in the year under review and the re-focus on the two business areas of Residential Properties Development and Standing Assets initially lead to a lower gross profit compared to the prior-year period since forward deals have not yet been concluded for the newly acquired projects.

The costs for raw materials and consumables used decreased significantly by €105.7 million, from €162.5 million in the previous year to €56.8 million, and consist of the construction costs of the inventory properties (€40.5 million; previous year: €57.1 million), acquisition costs for land (€10.3 million; previous year: €100.1 million) as well as management costs for the rented properties (€6.0 million; previous year: €5.3 million). The decline is primarily due to the asset deals made in the previous year. In contrast, in the year under review, the two large residential development sites in Cologne and Dresden were acquired in form of share deals, without affecting the consolidated statement of comprehensive income.

The employee benefits expense fell by a total of €2.2 million to €7.1 million. The decrease is largely attributable to the business area discontinued in the first quarter. In contrast to employee benefits expense of €1.7 million, the discontinued operation had employee benefits expense of €5.4 million in the previous year. At the same time, there was a significant expansion of human resources in the project development and accounting functions in the continuing operation.

The fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale amounted to €67.7 million and are based on an external valuation of all standing asset properties as of December 31, 2021. Of that amount, €62.5 million are attributable to the fair value adjustment that was recognized through profit or loss in relation to the property of the second construction phase of the project "Dresden Blüherpark", which resulted from the transfer to the Company's portfolio in accordance with IAS 40.

Other operating expenses amounted to €26.2 million (previous year: €22.5 million) and are primarily attributable to legal and consulting fees as well as the abovementioned contractual penalties in the amount of €16.0 million. The previous year's figure also included valuation allowances on assets in the amount of €10.5 million.

In the fiscal year 2021, GATEWAY achieved an overall operating profit of €105.3 million (previous year: €138.7 million). Of that amount, €14.4 million refer to the discontinued operation.

Net finance costs in the reporting year amounted to €–35.1 million (previous year: €–22.0 million) and include finance costs of €–42.0 million (previous year: €–28.1 million). These finance costs are partially offset by finance income in the amount of €6.8 million (previous year: €2.7 million), mainly resulting from the new receivables under vendor notes. The increase of the net finance costs by €–13.1 million mainly results from the project financing assumed as part of the acquisition of the residential development site in Cologne.

Earnings before tax (EBT) amounted to €70.2 million (previous year: €116.7 million). After deducting income taxes of €15.5 million (previous year: €26.9 million), consolidated profit for the year under review amounted to €54.7 million (previous year: €89.8 million). This corresponds to basic earnings per share of €0.27 (previous year: €0.48) and diluted earnings per share of €0.27 (previous year: €0.48). The EBIT adjusted amounted to €105.3 million (previous year: €142.4 million).

2.4.2 FINANCIAL POSITION

The GATEWAY Group's total assets increased from €1,117.6 million as of December 31, 2020 by 20.8% or €232.0 million to a total of €1,349.6 million as of December 31, 2021.

The financial position as of December 31, 2021, is characterized by the successful implementation of the strategy adjustment and the focus on the residential sector. Accordingly, the acquisition of the two large residential development sites in Cologne and Dresden in the first three months resulted in the almost full elimination of the accounting effects from the sale of the subsidiaries of the Commercial Properties Development business area. In addition, the purchase of several plots of land in Chemnitz and Hamburg was completed in the further course of the year under review.

In terms of assets, the increase was mainly attributable to current assets, which rose by €146.9 million to a total of €1,006.9 million. The carrying amount of inventories declined by €445.7 million, driven by the disposal of the Commercial Properties Development business area and the deconsolidation measures. However, the decrease was more than compensated for by the four residential development projects in Cologne, Dresden, Chemnitz and Hamburg acquired in the year under review, and by ongoing development activities so that inventories rose by €80.2 million to €747.2 million as of December 31, 2021.

At the same time, current other financial assets also increased by €96.6 million, which mainly involves claims arising under shareholder remaining in the selling entities. €88.2 million of the original claims were already repaid in the reporting year.

Other non-financial assets increased by €15.4 million to €70.1 million, mainly driven by the purchase of a company belonging to the Mannheim project that was previously accounted for as an investment using the equity method as well as due to interest eligible to be capitalized. Accordingly, the item particularly includes the entitlement to the transfer of real estate arising under a land purchase agreement in relation to the Mannheim project; the agreement has been certificated by a notary public, but has not yet been fully executed.

The sale of the standing asset property in Hamburg, which is reported under non-current assets held for sale, primarily resulted in a decrease in the item by €10.4 million to €43.8 million. This was offset by adjustments to the fair value of the standing asset property in Leipzig (€5.3 million).

The balance of cash and cash equivalents amounted to €16.5 million as of December 31, 2021, representing a reduction by a total of €34.1 million during the course of the fiscal year as a result of loan repayments.

In terms of non-current assets, construction activities as well as the reclassification and fair value adjustments led to an increase in the item of investment properties by €101.5 million to €286.5 million.

This was offset by the derecognition of goodwill in the amount of €24.0 million and the disposals of the investments accounted for using the equity method in the amount of €7.1 million in the context of the sale of the Commercial Properties Development business area.

Thus, non-current assets increased overall by €85.1 million to €342.7 million as of December 31, 2021.

In terms of liabilities, the Group's non-current liabilities amounted to €241.3 million as of the reporting date (previous year: €197.2 million); the major portion of that amount is attributable to non-current financial liabilities in the amount of €186.7 million (previous year: €146.3 million).

The year-on-year increase of €40.4 million is largely driven by the bond exchange made in the year under review and the associated reclassification from current to non-current liabilities. Furthermore, financial liabilities in a total amount of €52.1 million were disposed as part of deconsolidation measures.

Current liabilities totaled €697.5 million as of December 31, 2021 (previous year: €560.6 million). The largest portion of that amount (€501.0 million) refers to current financial liabilities (previous year: €459.7 million), which increased by €41.4 million primarily due to the current financial liabilities assumed as part of the acquisition of shares in the projects in Cologne and Dresden with carrying amounts of €302.5 million as of December 31, 2021 and the provision of acquisition financing for the Mannheim project in the amount of €56.6 million. This was offset by the abovementioned reclassification as a result of the bond exchange as well as deconsolidation measures in the amount of €229.5 million.

The acquisition financing for the project in Mannheim described above led to a corresponding reduction in trade payables by €50.2 million year on year. At the same time, new trade payables were incurred due to the purchase price installments assumed for plots of land in Cologne in the amount of €59.1 million, which remain outstanding, and the purchase price of the shares for the projects in Cologne and Dresden of €70.0 million which has not yet been paid in full. The carrying amount was €162.6 million as of December 31, 2021, thus increasing considerably by 136.8%. Other non-financial liabilities were reduced to €1.1 million (previous year: €17.2 million), mainly due to the closing of the sale of the standing asset property in Hamburg and the associated reversal of the advance payment received in the previous year.

The GATEWAY Group's equity as of December 31, 2021 amounted to €410.8 million (previous year: €359.8 million). The increase is due to the positive consolidated profit. Overall, the Group's equity ratio slightly fell from 32.2% at the end of the prior year to now 30.4%.

2.4.3 CASH FLOW

The cash inflows and outflows in the fiscal year 2021 overall led to a substantial decrease in cash as of December 31, 2021, primarily caused by cash flows from operating and financing activities.

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CONDENSED CASH FLOW STATEMENT

in € thousand	12/31/2021	12/31/2020
Cash flows from operating activities	–91,190	–91,264
Cash flows from investing activities	68,422	–1,429
Cash flows from financing activities	–11,324	–72,949
Net decrease/increase in cash and cash equivalents	**–34,092**	**–165,642**
Change in cash and cash equivalents due to consolidation group	0	146
Cash and cash equivalents as of 01/01	50,549	216,045
Cash and cash equivalents as of the end of the period	16,457	50,549

The negative cash flows from operating activities at €–91.2 million remained largely unchanged from the previous year (€–91.3 million). The main reason for the negative cash flow was, as in the previous year, the strong expansion of inventories by €102.5 million (previous year: €148.0 million) and the associated outflow of cash and cash equivalents. Moreover, inflows from purchase price payments in relation to forward sales entered into in relation to three development projects were recognized in the amount of €92.3 million in the previous year.

The positive cash flows from investing activities of 68.4 million (previous year: €–1.4 million) primarily resulted from the inflows arising in relation to the purchase price installments from the sale of the Commercial Properties Development business area, net of cash and cash equivalents disposed in the amount of €106.4 million. The sum total also includes the funds from the partial repayments of shareholder loans in the amount of €88.2 million, which remained in the selling company.

The negative cash flows from financing activities in the amount of €–11.3 million (previous year: €–72.9 million) is primarily due to the repayment of loans in the amount of €86.1 million. This was offset by new borrowings in connection with the acquisition of properties and the financing of construction activities in a total amount of €76.7 million.

The majority of the loans are at fixed interest rates. The fixed-rate loans have an interest rate between 2.35% and 20.0% (previous year: between 1.55% and 20.0%). 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.

In 2021, GATEWAY was able to meet its payment obligations at all times. The net decrease resulting from the cash flows in the fiscal year 2021 described above totaled €34.1 million, resulting in a reduction of cash and cash equivalents to €16.5 million as of December 31, 2021. As of the previous reporting date (December 31, 2020), cash and cash equivalents had amounted to €50.5 million. Apart from free liquidity, there are unutilized credit facilities from project financings in the amount of €137.6 million as of the reporting date (December 31, 2020: €216.5 million).

Compared to the previous year, commitments and contingencies were entered into in the form of sureties and guarantees in the year under review. However, the utilization is considered unlikely on the basis of the economic condition of the beneficiaries. See Note 7.2.

3. REPORT ON RISKS AND OPPORTUNITIES

3.1 RISK MANAGEMENT SYSTEM

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

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

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

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

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

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

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

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

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

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

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

3.2 RISK REPORT AND INDIVIDUAL RISKS

The risks that Gateway Real Estate AG is exposed to in its business activities can be allocated on the one hand to the area of general economic and cyclical developments and on the other hand to industry-specific trends within the real estate sector. Such risks cannot be influenced by the Company itself, but are rather attributable to political and economic developments on a global and national scale. The development of inflation and interest rates, and of income and purchasing power of the population as well as changes in the legal and tax framework and in the balance between supply and demand on the real estate markets that are relevant for GATEWAY may have an impact on GATEWAY’s business performance. Likewise, unexpected events such as the global outbreak of the COVID-19 pandemic in 2020 may have an impact on GATEWAY’s business performance.

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

3.2.1 PROPERTY-SPECIFIC RISKS

Transaction risk

As a developer of residential properties operating across Germany in the Top 9 locations and selected high-growth regions, the acquisition of new plots of land and development projects as well as the partial sale of completed projects are integral parts of GATEWAY’s business activities. In the future, the Company will also build residential real estate for its own portfolio (build-to-hold). The Company generates the major portion of its total operating revenue from the sale of development projects. If planned sales transactions do not materialize, the Company might incur unplanned follow-up costs on the one hand and there might be a loss of budgeted income on the other hand. If planned purchases of land plots or development projects do not materialize, the Company’s earnings potential could also be reduced.

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

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

Risk of loss of rental income

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

Letting risk

The letting risk is the risk that space cannot be rented out initially or subsequently or not at an appropriate price. Rental prices are subject to economic volatility and market cycles that, on the one hand, have an impact on the demand for rentable space and on the other hand on the market rent levels. This may result in a lower letting rate and thus to a reduction of rental revenues. GATEWAY's Management Board considers the probability of occurrence with regard to the letting risk for the Group's current rental portfolio to be unlikely and the potential amount of damage as insignificant. Each standing asset is assessed once per year by an external valuer. However, there is the risk that the fair value thus determined is higher than a potential sales price and that a sale eventually leads to a loss. There is also the risk that no investors can be found for the assets intended for sale. Currently, the probability of occurrence is considered unlikely, and the potential amount of damage is considered insignificant.

Environmental risk and risk from contaminated sites

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

Project development risk

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

KfW assistance funds

On January 24, 2022, the German federal government stopped approving applications under its program to support the construction of energy-efficient buildings (Bundesförderung für effiziente Gebäude, BEG), granted via the German state development bank KfW, with immediate effect. The three KfW programs affected were Efficiency House/Efficiency Building 55 in New Construction (EH/EG55), Efficiency House/Efficiency Building 40 in New Construction (EH/EG40) and Energy-efficient Refurbishment. The BEG development programs of the German Federal Office for Economic Affairs and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle, BAFA) remained unaffected and have been continued unchanged. The German government cited the sharp increase in the number of applications in January as the reason for stopping the programs, whose cumulative funding sum would have clearly exceeded the funds made available in each case. It was announced that a new program would be established for the promotion of new buildings constructed under the EH40 standard. Refurbishment funding was resumed on February 22, 2022; the conditions for granting funds for refurbishment measures remained unchanged. The government plans to present the major amendment to the federal program for energy-efficient buildings in summer 2022, with the entire program for energy-efficient construction and living to be restructured by 2023.

The current changes introduced by the German government do not directly affect GATEWAY and the risk is currently seen as unlikely, with a low financial impact.

3.2.2 COMPANY-SPECIFIC RISKS

Financing risk

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

Liquidity risk

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

Tax risk

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

Risks from disclosure requirements and the prohibition of insider trading

Due to the fact that GATEWAY is listed on the stock exchange, the Company is subject to increased disclosure requirements and the rules on the prohibition of insider trading. The violation of disclosure requirements and bans on insider trading may result in major sanctions imposed by regulatory authorities. The Management Board currently assesses the probability of such risks to occur as possible; if they did occur, such risks could have, after countermeasures are taken into account, a low financial impact on the Group.

Legislation risk

GATEWAY's business activities are influenced by changes in the legal framework and applicable laws and regulations. This concerns, in particular, building law and building planning law, but also legal regulations for other more or less closely related areas such as fire protection or environmental protection. Changes in the legal framework in these areas may result in higher expenses or lower income for the GATEWAY Group. In this case, the Management Board expects a low impact on the financial situation of the Group, but the probability of occurrence is currently assessed as possible.

Some of the projects developed by GATEWAY also comprise the redevelopment of listed buildings. The high restructuring costs associated with a listed building (as compared to the costs for an unlisted building) are offset by tax benefits. The Management Board does not see any notable risks.

A specific legislation risk existed in Berlin until March 2021, where following a broad public debate on affordable housing and rising rents, the Berlin senate adopted the Berlin Rental Act (Berliner Mietengesetz) initiated by the ruling coalition of Social Democrats, The Left Party and The Greens; the Rental Act introduces a rental cap and a prohibition of rent increases for a period of five years. Based on a ruling dated March 25, 2021, by the Federal Constitutional Court, the Berlin rental cap violates the constitution. Since then, there are efforts to enforce the rental cap on a nationwide level, after failing to be approved on state level. The coalition agreement of the new German government includes regulations on rent control, which, however, are much less strict than the Berlin rental cap, so that the Management Board believes that the development mentioned above represents a possible risk for its business activities, but does not expect any significant financial effects.

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

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

As of the end of the reporting year, GATEWAY was not a party to any pending legal disputes.

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

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

3.2.3 OVERALL ASSESSMENT OF THE RISK SITUATION

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

3.2.4 REPORT ON OPPORTUNITIES

GATEWAY is one of the developers of residential properties in Germany with activities spread throughout the country and will in future focus its business activities across Germany on the Top 9 locations and high-growth regions. The regional presence in various locations within Germany presents the opportunity to react to changes in demand at specific locations with more flexibility than would be possible if there was a stronger regional concentration. The strong dynamic of sociodemographic and economic growth in Germany's Top 9 cities offers the opportunity for a further increase in demand for the property types developed by Gateway in these cities. The residential markets in GATEWAY's focus cities (A cities plus Augsburg, Dresden, Leipzig, Mannheim and Chemnitz) showed a positive development in 2021 in terms of quoted rents and vacancy rates. In terms of employment growth, the A cities are also developing well above the national average (more details in the chapter on the market environment/macroeconomic situation). When acquiring new properties and marketing its project developments, the Group benefits from the opportunities arising from good market access, which is based on the extensive network, market knowledge and many years of experience of its management and specialist and executive staff. This also applies to the market-driven design and implementation of the individual projects and their tailoring to the supply and demand situation in the respective local markets. In the financing area, there are additional opportunities resulting from the low-interest environment that is set to continue and that raises the expectation of continued very favorable debt financing options. As an exchange-listed company, GATEWAY may benefit from opportunities for equity and/or debt financing via the capital market. In particular, by further strengthening the equity base by means of capital increases, a better credit rating can be achieved compared to companies that do not have this option due to a lack of a stock market listing. This, in turn, facilitates access to debt financing or allows it to be raised on more favorable terms. The effects of the COVID-19 pandemic on the economy – including crises and recessions – also offer new opportunities for the GATEWAY Group in the procurement market in terms of property and land acquisition. Financial difficulties of other companies may open up opportunities to acquire properties in particularly attractive locations or subject to particularly favorable terms. In addition, the macroeconomic development, which is dominated by the pandemic, may result in a subdued increase of the purchase prices in certain local real estate markets or segments of real estate markets or in flat or even falling price levels. This would also offer the opportunity to acquire properties at prices that are lower than originally assumed.

4. REPORT ON EXPECTED DEVELOPMENTS

4.1 TARGET ACHIEVEMENT 2021

In the Group management report 2020 and in an ad hoc release dated April 26, 2021, the Management Board specified its forecast and expected an EBIT adjusted of between €95 million and €110 million and earnings before taxes (EBT) of between €70 million and €80 million for the fiscal year 2021. With an EBIT adjusted of €105.3 million and earnings before taxes of €70.2 million, GATEWAY fully met its specified guidance.

4.2 ECONOMIC ENVIRONMENT 2022

4.2.1 MARKET ENVIRONMENT/MACROECONOMIC SITUATION

In 2021, the German economy slowly recovered from the recession in the previous year. After 10 years of growth, Germany's gross domestic product (GDP), adjusted for price, seasonal and calendar effects, declined by 4.9% in 2020 due to the pandemic, according to the Federal Statistical Office (Destatis), but returned to growth in the reporting year (plus 2.8%).

In January 2022, the economic barometer published by the German Institute for Economic Research (DIW Berlin) dropped slightly. The index level had already fallen earlier, in the period from the third to the fourth quarter of 2021, from 106.7 to 100.9 points. For the first quarter of 2022, the index decreased slightly to 99.5 points. The main reason for this is the Omicron variant of the coronavirus, which is spreading rapidly. In order to contain this variant, retail, foodservice and cultural businesses in particular were subject to considerable restrictions. At the same time, the bottlenecks concerning the supply of materials in the industry seem to be slowly easing. In the automotive industry, which is particularly affected by procurement problems for individual components, production is picking up again.

The Omicron wave seems to have peaked in mid-February 2022. Due to the progress made in vaccination and, as experience has shown, due to the milder weather in spring, a further decline in the number of infections is expected. As early as February, the German federal government had resolved far-reaching easing measures for contact-intensive service providers to be implemented until March. According to DIW Berlin, these measures should have a benign effect on economic recovery. The Federal Statistical Office forecasts economic growth in 2022 to amount to 4.6%. Factors causing uncertainty are several geopolitical tensions with possible global political and economic effects. These include, for example, the Ukraine conflict between Russia and NATO, the overlapping territorial claims in the South China Sea, and the tense relations between China and the USA concerning Taiwan, among others. The impact of the war in Ukraine on the real estate industry cannot yet be assessed, but the increase in the number of refugees will probably increase the demand for housing. On the other hand, supply chains will be subject to further challenges, and rising commodity prices will continue to drive inflation. Based on current knowledge, the Management Board expects that this situation will not have any negative effects on the Company's operating activities and its business model.

In its 2022 winter forecast, the European Commission projects that the EU economy will grow by 4.0% in 2022 and 2.8% in 2023, after 5.3% in 2021. Growth is projected to be slightly lower in the euro area (4.0% in 2022 and 2.3% in 2023). With EU GDP having reached pre-pandemic levels already in the third quarter of 2021, the European Commission expects all Member States to have achieved this milestone by the end of 2022. Due to the sharp rise in energy prices at the beginning of 2022, the inflation forecast was raised. According to the International Monetary Fund (IMF), global economic growth is expected to have reached 5.9% in 2021. For 2022, the IMF expects growth to slow down to 4.4%.

Inflation reached a record high of 4.6% in the euro area in the fourth quarter of 2021, driven by high energy prices. According to the European Commission's projections, a new peak of 4.8% could be reached in the first quarter of 2022, while this figure could hover above 3% by the third quarter. The European Commission expects easing and a decline in inflation to 2.1% to occur not until the fourth quarter. In 2023, inflation could fall below the European Central Bank's long-term target of 2%. Average annual inflation in 2021 was 2.6% in the euro area and 2.9% in the EU. In 2022, the rate is expected to rise to 3.5% in the euro area and to 3.9% in the EU, before declining to 1.7% and 1.9%, respectively, in 2023. Similar to the EU, the leading economic institutes also expect inflation in Germany to fall to 2.5% and 1.7% in 2022 and 2023, respectively, within the framework of a joint study.

On January 24, 2022, the German federal government stopped approving applications under its program to support the construction of energy-efficient buildings (Bundesförderung für effiziente Gebäude, BEG), granted via the German state development bank KfW, with immediate effect. The three KfW programs affected were Efficiency House/Efficiency Building 55 in New Construction (EH/EG55), Efficiency House/Efficiency Building 40 in New Construction (EH/EG40) and Energy-efficient Refurbishment. The BEG development programs of the German Federal Office for Economic Affairs and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle, BAFA) remained unaffected and have been continued unchanged. The German government cited the sharp increase in the number of applications in January as the reason for stopping the programs, whose cumulative funding sum would have clearly exceeded the funds made available in each case.

The expiry date for the EH55 New Construction funding scheduled for January 31, 2022 was thus moved up in time. A continuation or an equivalent follow-up program is not planned because, on the one hand, the EH55 criteria have meanwhile become established as a sector-wide standard in the opinion of the German government and, on the other hand, the criteria have to be established as a statutory minimum standard.

It was announced that a new program would be established for the promotion of new buildings constructed under the EH40 standard. Refurbishment funding was resumed on February 22, 2022; the conditions for granting funds for refurbishment measures remained unchanged.

The German government decided to have KfW review all of the approximately 24,000 legacy applications received by the cut-off date of January 24, 2022 in accordance with the previous program criteria and to approve those eligible for funding. New funds for BEG of around €9.5 billion were made available for this purpose.

The government plans to present the major amendment to the federal program for energy-efficient buildings in summer 2022, with the entire program for energy-efficient construction and living to be restructured by 2023.

In the coalition agreement, the German government has defined the goal of building 400,000 new flats every year, of which 100,000 are classified as social housing projects. The implementation is set to start in spring 2022 within the context of an "Affordable Housing Alliance". As in the previous years, funds amounting to €1 billion per year are available for social housing projects. A corresponding administrative agreement with the state governments is currently being drafted. The German government wants to make available another €1 billion to the federal states in 2022 to create climate-friendly social housing. Furthermore, the coalition agreement provides for the introduction of a new housing community benefit.

In addition, the straight-line depreciation for privately financed new rental housing is planned to be increased from 2% to 3%. Serial construction and digitization in planning, for example through digital building applications, should contribute to cost reductions in new housing construction. The planned Building Land Mobilization Act is intended to grant municipalities a pre-emptive right to building land and to remove a time limit from a corresponding legal regulation.

On February 24, 2022, the Russian Federation expanded its military conflict with the Ukraine that now goes beyond eastern Ukraine. In the process, the Russian Federation attacked the entire territory of Ukraine. As a result, the member states of the European Union and other countries, including the United States, imposed broad-based sanctions against Russian organizations and individuals. The economic sanctions affect the financial sector and the energy sector, among others. The capital markets and stock exchanges around the globe responded shortly after the start of Russia's attack; the U.S. S&P 500, the European EuroStoxx 50 and the German DAX initially declined. It is unclear how the geopolitical crisis will unfold in future. The impact of the crisis on growth in Germany and in particular on energy prices is subject to significant uncertainties.

4.2.2 SOCIODEMOGRAPHIC DEVELOPMENT

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

After the population in Germany had already stopped rising in 2020 for the first time since 2011, 83.2 million people lived in Germany at the end of 2021, according to a first estimate by the German Federal Statistical Office (Destatis). This was roughly the level reached at the end of 2020 and 2019. While the number of births increased, this was offset by an equally increasing number of deaths, with the number of deaths exceeding once again the number of births. However, this gap was offset by the increase in net immigration, after net immigration had declined in 2020. According to the medium forecast (scenario 2) of the Federal Statistical Office as a basis, the population is expected to rise to around 83.3 million by 2030, representing an increase of around 100,000 people or around 0.1% compared to the end of 2021.

In this context, above-average population growth continues to be assumed in cities. Based on the figures in the year 2020, Berlin's population is expected to increase by 4.1% by 2030, while growth in Leipzig is even estimated at 6.4% in the same period. However, the projections for 2030 were made before 2020, and thus prior to the coronavirus pandemic.

According to the forecast of the Federal Statistical Office dated September 30, 2021, as regards changes in age groups, the aging of the population is continuing at a rapid pace. Accordingly, the share of people over the age of 67 is expected to increase to 22% by 2035, and the number of retired people is likely to grow from 16 million in 2020 to 20 million in 2035.

Despite largely stable population figures, the number of private households will rise from 41.4 million in 2020 to 42.6 million in 2040, according to calculations by the Federal Statistical Office. The reasons for this increase include the decline in marriages and births, increasing partnerships with separate dwellings, the continued aging of the population combined with improving physical conditions of older people who are able to live in their own household for a longer time, and increasing requirements with respect to occupational mobility, which is driving the trend toward smaller households. According to the projections, single-person households will increase from 17.3 million to 19.3 million between 2020 and 2040, while two-person households will increase from 14.0 million to 14.1 million. Households with three or more persons will decline from 10.1 million to 9.2 million.

4.2.3 DEVELOPMENT OF REAL ESTATE MARKETS

In 2022, the activities on the German real estate markets will be dominated by the coronavirus pandemic. Despite the high number of infections, there seems to be some relief in the pandemic response. First easing measures have been implemented and the lifting of further restrictions has been announced. As a result, the medium- and long-term effects on the real estate markets will now resurface again more evidently.

Across all segments of the real estate markets, the issue of sustainability will have to be translated by the market participants into specific measures and the effects will have to be quantified precisely. The EU has defined a sustainability taxonomy for this purpose, encompassing the areas of environmental, social and corporate governance (ESG). The taxonomy is intended to help direct capital flows more strongly towards sustainable investments, and it facilitates the implementation of the European Green Deal that supports the EU on its way to become climate-neutral by 2050.

The real estate asset class also falls under the scope of these regulations. The more rigorous requirements can already be implemented during the project planning phase of new construction projects and have become the new standard in the meantime. Nevertheless, the rate of new construction is comparatively low, so it is not sufficient to implement the measures in new construction alone. In order to achieve the ESG targets in the entire building sector, extensive, mainly energy-efficient refurbishment activities of existing properties are absolutely necessary in Germany.

In its Germany Real Estate Market Outlook 2022, CBRE notes increasing requirements as regards ESG compliance of buildings, especially among institutional investors, listed companies and real estate financing banks. At the same time, users are also becoming increasingly aware and have growing requirements with respect to sustainable space. This increased demand leads to investment activities gaining momentum in the project segment, where forward deals have a growing market share.

CBRE expects the real estate markets in Germany to continue their recovery phase in line with the macroeconomic upturn. After 2021 was a record year thanks to large transactions, CBRE expects a transaction volume of €85 billion for 2022, which means that purchases and sales would be on the levels of the five preceding years. A higher volume would be possible on the part of investor demand, but there is a lack of corresponding products. CBRE believes that demand for German real estate from both national and international investors will remain high. Safe and sustainable investments are in demand, especially in the residential, office and logistics sectors.

Office market

According to CBRE, office properties, especially core and core-plus properties, remain the focus segment for institutional investors in the commercial properties market. To the extent that companies bring their employees back into the office based on hybrid workplace models and flexible working time solutions, among other things, the office markets will also recover. The limited supply of prime space is expected to lead to higher growth rates in prime rents in the medium term.

In anticipation of positive catch-up effects, CBRE expects a strong recovery of the letting market for office properties and rising demand for space in 2022. Although there are uncertainties regarding new variants of the coronavirus, many companies are in a position in terms of both organizational and technical structure in such a way that they can respond flexibly to changing requirements. The physical office will have its place in the future working environment despite the greatly increased importance of working from home and remote working. CBRE is optimistic that rent levels will tend to rise further for prime locations, the main reason being the small supply of space. In the central business districts of the office metropolitan cities, the vacancy rate is below 2% in some cases.

With hardly any supply reserves in the existing stock, new users will have to rely on new construction. The new, more flexible workplace models also sometimes need different, modern and efficient space, which is why project developers expect a high demand in office floor space in the next few years. CBRE expects around 7.0 million sqm of new or refurbished space to be launched onto the market by the end of 2024. Of this total space, 40% are currently already pre-let or absorbed by owner occupiers. In 2022 alone, 2.0 million sqm are expected to be launched onto the market, 56% of which will be pre-let.

Retail market

Retail properties with a focus on food also remain in the investors' focus, while yields are already declining again even for inner-city commercial properties in prime locations. CBRE expects yields to decline also for shopping centers in the second half of 2022.

The retail market, especially in the fashion, textiles, footwear and electric devices segments, had been already under pressure before the pandemic, largely due to the increase in online retailing. The measures taken to contain the coronavirus pandemic have accelerated this development. Nevertheless, in CBRE's view, there are also developments that could have a positive impact on stationary retail in city centers. Accordingly, the savings ratio in Germany remains on a high level of around 15%, while at the same time, the wealth of the Germans rose to almost €7.7 trillion. Due to government support measures such as bridging assistance, short-time working allowance and the economic stabilization fund, the number of insolvencies in the fashion and textile retail sector fell in 2021 compared to the previous year. The fact that the Federal Court of Justice, in a landmark decision, ruled that retailers that had to close their shops during the pandemic may be entitled to an adjustment of the rent should also have a stabilizing effect on the demand for space.

While some segments in the retail sector have suffered significantly from the impact of the pandemic, the premium and luxury segments have been less affected by the cautious behavior of customers, according to CBRE's findings. In some areas of this segment, customers even tended to purchase higher-quality products. In the foodservice business, new concepts are being established, addressing the issue of significantly less space. In general, it is becoming increasingly clear in the retail sector that sales concepts offering a mix of channels for customer access are successful. On the one hand, the development showed that online sales declined when the brick-and-mortar shops reopened, while the city center shops, on the other hand, evidently strengthen brand building and thus support online sales to a considerable degree.

Residential real estate market
In the year under review, the residential segment was characterized by major consolidations, which is not expected to a similar extent in 2022. CBRE expects demand for residential properties in the institutional segment to remain high due to stable yields. For 2022, CBRE expects a transaction volume in the institutional housing sector of up to €30 billion. Given the large excess demand, prime yields in Germany's five largest cities are likely to fall moderately. Overall, the yield compression towards the two percent mark will continue.

New construction projects are attractive from an investor's point of view, with institutional investors becoming increasingly involved in the form of forward deals or ongoing project financing. International investors will also increasingly invest in German residential platforms in 2022, according to CBRE's predictions. With the restart of face-to-face lecturing at universities, the interest of international investors in the micro-housing and student housing segment in Germany, which has been picking up steam again since 2021, is likely to increase.

In the metropolitan areas, demand for rental space will rise due to the high rates of immigration. In order to slow down the increase in new contract rents, the new German government is primarily focusing on expanding the supply of residential space in metropolitan areas. To this end, the coalition agreement provides for the planned creation of 400,000 new residential units per year, a quarter of them in social housing. In addition, it is planned that the municipalities will be supported in identifying potential areas for residential construction. At the same time, it is expected that digitization and the strengthening of serial construction will enable housing to be created more cheaply than before. Urban development is intended to be intensified. In addition, the German government wants to support residential property companies through the reintroduction of their non-profit status as well as through investment subsidies and the increase of straight-line depreciation on new residential construction to 3%. Furthermore, the existing tenant protection in areas with a tight housing market is intended to be strengthened by extending the rental cap until 2029. CBRE expects that these measures will help to achieve the target volume of 400,000 housing units per year.

4.3 OUTLOOK FOR THE GATEWAY GROUP

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

The COVID-19 pandemic continues to dominate the current situation and business life. However, GATEWAY expects that the COVID-19-related negative effects will ease further during the remainder of the year 2022.

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

The main drivers for business development are planned future sales in the context of forward sale transactions in the Residential Properties Development segment. As a result of planned additional purchases, GDV should rise by a low one-digit billion euro amount compared to year-end 2021. Taking into account purchases made in the fiscal year 2021 and any additional acquisitions planned for the current fiscal year, the Management Board expects EBIT adjusted to amount to €125–140 million and consolidated earnings before taxes (EBT) of €70–85 million for the fiscal year 2022.

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

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

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

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

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

6. RISK REPORTING RELATING TO THE USE OF FINANCIAL INSTRUMENTS

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

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

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

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

CAPITAL MANAGEMENT

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

INTEREST RATE RISK

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

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

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

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

OTHER FINANCIAL ASSETS
Other financial assets primarily consist of the disposals of shares in the year under review and the associated receivables under vendor notes. Material payments were already agreed in the fiscal year under review.

Other financial assets arisen in preceding years were derecognized in the previous fiscal year as a result of expected permanent impairment. We refer to Note 3.6.

Changes in the credit risk of loan receivables from third parties outside the Group are generally monitored and managed individually.

CASH AND CASH EQUIVALENTS
The cash and cash equivalents are deposited in banks and financial institutions. The Group assumes that its cash and cash equivalents have a low risk of default due to the external ratings of the banks and financial institutions. Impairment losses in the category of cash and cash equivalents are insignificant for the Group.

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

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

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

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

7. DISCLOSURES AND EXPLANATIONS RELEVANT TO TAKEOVERS

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

COMPOSITION OF SUBSCRIBED CAPITAL

The subscribed capital (share capital) of Gateway Real Estate AG amounted to €186,764,040.00 as of December 31, 2021. It is divided into 186,764,040 no-par value bearer shares. The share capital has been fully paid up. The same rights and obligations are attached to all shares of the Company. Each share confers one vote and the same share in the profit. The rights and obligations arising from the shares are based on the applicable statutory provisions. As of December 31, 2021, the Company held no treasury shares.

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

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

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

According to the most recent voting rights notification, Mr. Yannick Patrick Heller, Switzerland, holds a total of 10.31% of the voting rights of the Company.

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

SHARES GRANTING SPECIAL RIGHTS THAT CONFER CONTROLLING POWERS

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

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

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

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

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

Amendments to the Articles of Association are made in accordance with Sections 119 (1) no. 6, 179, 133 AktG and Sections 12 (2) and 16 (4) of the Articles of Association. The Articles of Association do not stipulate any further requirements for amendments to the Articles of Association. Unless stipulated otherwise by mandatory law, the resolutions of the General Meeting are adopted by simple majority of the votes cast and, if in addition to a majority of votes a majority of capital is required by statutory law, by a simple majority of the share capital represented for the adoption of the resolution. The Supervisory Board is authorized to make amendments to the Articles of Association which only concern their wording.

POWERS OF THE MANAGEMENT BOARD TO ISSUE SHARES

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

Authorized capital

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

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

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

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

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

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

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

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

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

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

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

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

AUTHORIZATION TO ACQUIRE TREASURY SHARES

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

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

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

GATEWAY's material financing agreements include the customary provisions applicable in the case of change of control regarding the borrower and/or the property to be financed.

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

CONSOLIDATED FINANCIAL STATEMENT OF GATEWAY REAL ESTATE AG

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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 2021 FISCAL YEAR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF GATEWAY REAL ESTATE AG

AS OF DECEMBER 31, 2021

ASSETS

in € thousand	Note	12/31/2021	12/31/2020
Non-current assets			
Intangible assets and goodwill	6.1	16,118	40,429
Property, plant and equipment	6.2	753	3,501
Investment properties	6.3	286,460	184,920
Investments accounted for using the equity method	6.4	11	7,130
Non-current trade receivables	6.6	247	0
Other non-current financial assets	6.6	24,541	8,817
Other non-current non-financial assets	6.6	2,374	2,562
Deferred tax assets	6.13	12,202	10,285
		342,706	**257,644**
Current assets			
Inventories	6.5	747,189	666,985
Trade receivables	6.6	418	1,431
Income tax receivables	6.20	3,813	3,616
Other financial assets	6.6	125,151	28,525
Other non-financial assets	6.6	70,079	54,726
Cash and cash equivalents	6.7	16,457	50,549
Non-current assets held for sale	6.8	43,800	54,150
		1,006,907	**859,982**
		1,349,613	**1,117,626**

EQUITY AND LIABILITIES

in € thousand	Note	12/31/2021	12/31/2020
Equity			
Subscribed capital	6.9	186,764	186,764
Reserves	6.9	–389,131	–389,131
Retained earnings	6.9	605,879	557,411
Non-controlling interests	6.9	7,273	4,776
		410,785	**359,820**
Non-current liabilities			
Non-current financial liabilities	6.11	186,658	146,342
Deferred tax liabilities	6.13	53,552	47,836
Other non-current financial liabilities	6.12	1,130	3,009
		241,340	**197,187**
Current liabilities			
Other current provisions	6.10	0	452
Current financial liabilities	6.11	501,028	459,652
Income tax liabilities	6.20	5,851	7,127
Trade payables	6.12	162,565	68,649
Other financial liabilities	6.12	26,912	7,506
Other non-financial liabilities	6.12	1,132	17,233
		697,488	**560,619**
		1,349,613	**1,117,626**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2021

		2021			2020		
in € thousand	Note	Continuing operations	Discon-tinued operations	Total	Continuing operations	Discon-tinued operations	Total
Revenue	6.14	12,128	10,252	22,380	5,729	49,789	55,518
Changes in inventories of finished goods and work in progress	6.15	66,765	6,824	73,589	129,137	15,789	144,926
Other operating income	6.18	4,253	28,292	32,545	2,370	1,928	4,298
Gross profit		**83,146**	**45,368**	**128,514**	**137,236**	**67,506**	**204,742**
Raw materials and consumables used	6.16	–44,226	–12,563	–56,789	–125,232	–37,283	–162,515
Employee benefits expense	6.17	–5,418	–1,677	–7,095	–3,908	–5,386	–9,294
Fair value changes in investment properties and in non-current assets held for sale	6.3/6.8	67,688	0	67,688	129,109	0	129,109
Depreciation and amortization expense	6.1/2	–826	–35	–861	–300	–555	–855
Other operating expenses	6.18	–9,505	–16,673	–26,178	–17,050	–5,457	–22,507
Operating profit		**90,859**	**14,420**	**105,279**	**119,855**	**18,825**	**138,680**
Profit or loss from investments accounted for using the equity method, after taxes	6.19	0	0	0	–63	3,832	3,769
Finance income	6.19	6,933	–105	6,828	1,269	1,393	2,662
Finance costs	6.19	–38,187	–3,856	–42,043	–11,696	–16,391	–28,087
Other finance income/costs, net	6.19	92	0	92	–347	0	–347
Net finance costs		**–31,162**	**–3,961**	**–35,123**	**–10,837**	**–11,166**	**–22,003**
Profit before tax		**59,697**	**10,459**	**70,156**	**109,018**	**7,659**	**116,677**
Income tax expense	6.20	–15,361	–94	–15,455	–25,923	–977	–26,900
Profit for the year		**44,336**	**10,365**	**54,701**	**83,095**	**6,682**	**89,777**
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income for the year		**44,336**	**10,365**	**54,701**	**83,095**	**6,682**	**89,777**
Attributable to equity holders of the parent company	7.1	40,438	10,476	50,914	83,792	6,543	90,335
Attributable to non-controlling interests		3,898	–111	3,787	–697	139	–558
Earnings per share (basic)	7.1	0.22	0.05	0.27	0.44	0.04	0.48
Earnings per share (diluted)		0.22	0.05	0.27	0.44	0.04	0.48

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2021

		Equity attributable to equity holders of the parent company					
in € thousand	Note	Subscribed capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of 01/01/2020		**186,764**	**–22,804**	**156,778**	**320,738**	**5,253**	**325,991**
Profit/loss	7.1	0	0	90,335	90,335	–558	89,777
Dividend payment	6.9	0	0	–56,029	–56,029	0	–56,029
Withdrawal from the capital reserve of the parent company		0	–366,327	366,327	0	0	0
Change in the scope of consolidation/disposal of shares	6.9	0	0	0	0	81	81
Balance as of 12/31/2020		**186,764**	**–389,131**	**557,411**	**355,044**	**4,776**	**359,820**
Profit/loss	7.1	0	0	50,914	50,914	3,787	54,701
Change in the scope of consolidation/shareholdings	6.9	0	0	–2,446	–2,446	–1,290	–3,736
Balance as of 12/31/2021		**186,764**	**–389,131**	**605,879**	**403,512**	**7,273**	**410,785**

CONSOLIDATED SEGMENT REPORT OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2021

					2021
in € thousand	**Standing Assets**	**Commercial Properties Development**	**Residential Properties Development**	**Consolidation**	**Group**
Revenue from third parties (external revenue)	9,422	37	2,669	0	12,128
Intersegment revenue (internal revenue)	715	0	0	–715	0
Revenue	**10,137**	**37**	**2,669**	**–715**	**12,128**
Gross profit	**12,121**	**35,603**	**43,737**	**–8,315**	**83,146**
Segment result (operating profit)	**63,354**	**8,777**	**26,374**	**–7,646**	**90,859**
thereof:					
Changes in the value of investment properties and of properties held as inventory, and of non-current assets held for sale	67,688	0	0	0	67,688
Depreciation and amortization expense	–826	0	0	0	–826
Profit or loss from investments accounted for using the equity method	0	0	0	0	0
EBIT adjusted	**63,354**	**8,777**	**26,374**	**-7,646**	**90,859**
Finance income	15,231	18	1,580	-9,896	6,933
Finance costs	–11,776	–8,440	–26,988	9,017	–38,187
Income tax expense	–15,812	–615	–1,516	2,582	–15,361
Segment assets	**703,083**	**179,000**	**683,906**	**-216,376**	**1,349,613**
Investments accounted for using the equity method	11	0	0	0	11
Additions to non-current assets	102,025	0	0	0	102,025
Segment liabilities	**359,183**	**177,995**	**609,561**	**–207,911**	**938,828**

In the fiscal year 2021, Development Partner AG, including its subsidiaries, was sold and accounted for as a discontinued operation as of the reporting date. Since neither IFRS 8 nor IFRS 5 contain rules as regards the accounting for discontinued operations, they are not included in segment reporting. The values presented per line item in the column "Group" in connection with the statement of comprehensive income refer to the continuing operations.

in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
					2020
Revenue from third parties (external revenue)	5,615	109	5	0	5,729
Intersegment revenue (internal revenue)	596	0	0	–596	0
Revenue	**6,211**	**109**	**5**	**–596**	**5,729**
Gross profit	**47,628**	**39,628**	**54,393**	**–4,413**	**137,236**
Segment result (operating profit)	**121,706**	**7,740**	**–5,757**	**–3,834**	**119,855**
thereof:					
Changes in the value of investment properties and of properties held as inventory, and of non-current assets held for sale	129,109	0	0	0	129,109
Depreciation and amortization expense	–300	0	0	0	–300
Profit or loss from investments accounted for using the equity method	–63	0	0	0	–63
EBIT adjusted	**121,643**	**7,740**	**–5,757**	**–3,834**	**119,792**
Finance income	9,638	21	307	–8,697	1,269
Finance costs	–7,117	–6,437	–2,859	4,717	–11,696
Income tax expense	–26,808	–447	110	1,222	–25,923
Segment assets	**554,788**	**662,988**	**172,913**	**–273,063**	**1,117,626**
Investments accounted for using the equity method	28	7,102	0	0	7,130
Additions to non-current assets	4,436	496	0	0	4,932
Segment liabilities	**272,202**	**591,978**	**161,933**	**–268,307**	**757,806**

In line with the comment on segment reporting for the fiscal year 2021, the values for fiscal year 2020 in relation to the statement of comprehensive income were adjusted to the proportion attributable to the continuing operation; accordingly, the column “Group” corresponds to the column for the continuing operation in the statement of comprehensive income. In accordance with the rules set out in IFRS 5 in relation to the presentation of the discontinued operation in the statement of financial position, the line items referring to the statement of financial position were not adjusted.

CONSOLIDATED SEGMENT OF CASH FLOWS OF GATEWAY REAL ESTATE AG

FROM JANUARY 1 TO DECEMBER 31, 2021

in € thousand	Note	2021	2020
Cash flows from operating activities			
Total comprehensive income for the year		54,701	89,777
Adjustments for:			
Amortization of intangible assets	6.1	81	66
Depreciation of property, plant and equipment	6.2	780	789
Changes in fair value of investment properties and valuation of properties held as inventory	6.3	–62,407	–114,836
Changes in fair value of non-current assets held for sale (properties)	6.8	–5,281	–14,273
Profit or loss from investments accounted for using the equity method, after taxes	6.19	0	–3,769
Distributions received from investments accounted for using the equity method		1,120	5,471
Profit or loss from the sale of other financial assets		0	1,190
Impairment on trade receivables	3.6	–66	314
Other non-cash expenses/income		8,267	12,113
Other finance income/costs, net		0	347
Tax expenses		15,455	26,901
Profit or loss from the sale of property, plant and equipment		–4	0
Profit or loss from the sale of fully-consolidated subsidiaries		–27,954	–350
Net finance costs		35,213	25,429
Changes in:			
Inventories		–102,517	–148,024
Trade receivables and other receivables		–1,928	77
Other financial assets		–2,372	38,311
Non-financial assets		–16,174	–7,141
Trade payables and other payables		14,467	6,449
Non-financial liabilities		–6,675	12,183
Other provisions as well as assets and provisions for employee benefits		0	–1,498
Other financial liabilities		17,892	3,917
Assets and liabilities held for sale		4,250	0
Interest paid		–16,927	–20,825
Income taxes received		138	1,073
Income taxes paid		–1,249	–4,955
Cash flows from operating activities		**–91,190**	**–91,264**
Cash flows from investing activities			
Cash inflows from the sale of other financial assets		0	15,050
Interest received		0	410
Payments for investments in investment properties		–10,534	0
Purchase of intangible assets		–145	–604
Purchase of property, plant and equipment		–186	–108
Purchase of other financial assets		–29,491	–15,050
Payments for additions to consolidation group less cash and cash equivalents acquired		2,487	0
Sale of consolidated companies less cash and cash equivalents transferred		106,410	0
Cash outflows for investments in properties held for sale (IFRS 5)		–119	–1,127
Cash flows from investing activities		**68,422**	**–1,429**
Cash flows from financing activities			
Cash inflows from new (financial) loans	2.21	76,697	116,910
Payments for lease liabilities		–431	–647
Transaction costs for loans and borrowings	2.21	0	–845
Fees for financial liabilities not utilized		0	–551
Dividends paid to shareholders of the parent company		0	–56,029
Other equity-related measures		–1,500	0
Cash inflows from the issue of bonds	2.21	0	26,190
Repayments of loans	2.21	–86,090	–157,977
Cash flows from financing activities		**–11,324**	**–72,949**
Net change in cash and cash equivalents		**–34,092**	**–165,642**
Change in cash and cash equivalents due to consolidation group		0	146
Cash and cash equivalents as of 01/01		50,549	216,045
Cash and cash equivalents as of the end of the period		**16,457**	**50,549**

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS OF GATEWAY REAL ESTATE AG

1. REPORTING ENTITY

Gateway Real Estate AG (also referred to hereinafter as "GATEWAY", the "Company" or the "Enterprise") and its subsidiaries specialize in the development and subsequent sale of residential properties as well as the construction and long-term rental of commercial and residential properties for their own portfolio (build-to-hold).

GATEWAY, which is registered in the commercial register of the Frankfurt am Main local court under the number 93304, has its registered office in Frankfurt am Main, Germany. The address of the principal place of business is Hardenbergstraße 28a, 10623 Berlin, Germany.

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

The consolidated financial statements were prepared by the Management Board as of March 28, 2022 and, subject to the Supervisory Board's approval, released for publication on March 29, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 GENERAL INFORMATION

The Company's consolidated financial statements as of December 31, 2021, were prepared in accordance with the International Financial Reporting Standards (IFRS, including the interpretations of the IFRS Interpretations Committee) applicable as of December 31, 2021, as they have been endorsed by the European Union. In addition, the requirements set out in Section 315e (1) of the German Commercial Code (Handelsgesetzbuch; HGB) were also complied with.

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

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

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

Unless otherwise indicated, amounts are always stated in thousands of euros (€ thousand). The presentation in thousands of euros may result in rounding differences, both in the tables presented in the notes to the financial statements and in the comparison of values in the notes to the financial statements with other elements of the financial statements.

2.2 FINANCIAL REPORTING STANDARDS

A. NEW STANDARD, INTERPRETATIONS AND AMENDMENTS REQUIRED TO BE APPLIED FOR THE FIRST TIME IN THE REPORTING YEAR

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Standard	Content
Amendments to IFRS 4	"Insurance Contracts": Postponement of IFRS 9
Amendments to IFRS 7	"Financial Instruments: Disclosures": Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 9	"Financial Instruments": Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 4	"Insurance Contracts": Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	"Leases": Interest Rate Benchmark Reform – Phase 2
Amendments to IAS 39	"Financial Instruments: Recognition and Measurement": Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The application of these newly applied financial reporting standards will have no material effects on the consolidated financial statements.

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

The International Accounting Standard Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have issued further standards and interpretations that are not yet required to be applied for the fiscal year 2021 or that have yet to be endorsed by the EU.

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Standard amendment	Content	Mandatory first-time application for fiscal years beginning on or after
Standards already endorsed by the EU, but not yet required to be applied		
Amendments to IFRS 1, IFRS 9, IAS 16 and IAS 41	Annual Improvements to IFRS Standards 2018–2020 Cycle	01/01/2022
Amendments to IFRS 3	Business Combinations: Reference to the Conceptual Framework 2018	01/01/2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	01/01/2022
Amendments to IAS 37	Provisions: Onerous Contracts – Cost of Fulfilling a Contract	01/01/2022
IFRS 17	Insurance Contracts	01/01/2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	01/01/2023
Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	01/01/2023
Standards not yet endorsed by the EU and not yet required to be applied		
Amendments to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01/01/2023
Amendments to IAS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01/01/2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date of initial application delayed for the time being

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

2.3 BASIS OF CONSOLIDATION

A. CONSOLIDATEION PRINCIPLES

i. Acquisitions

Purchased subsidiaries are accounted for using the acquisition method in accordance with IFRS 3. The acquisition costs are equal to the fair value of the assets acquired, the equity instruments issued and the liabilities created or assumed at the acquisition date. Assets, liabilities and contingent liabilities identifiable in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of acquisition costs over the Group's share of the net assets measured at fair value is recognized as goodwill. Any goodwill arising is tested for impairment either annually or if there are any indications of potential impairment (see Note 2.7) If the acquisition costs are lower than the fair value of the (proportional) net assets of the acquired subsidiary, the negative difference is recognized directly in the statement of comprehensive income. Transaction costs are expensed as incurred.

ii. Subsidiaries

All subsidiaries of GATEWAY are included in the consolidated financial statements to the extent they are not immaterial for the presentation of the Group's financial position, cash flows and financial performance. Subsidiaries are companies whose financing and operating policies can be controlled by the Group, directly or indirectly. Control is assumed when one company has the power to direct the key activities of the other company, rights to variable returns from the other company and has the ability to affect those returns through its power over the other company.

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

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

iii. Non-controlling interests

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

The acquisition and sale of further interests in subsidiaries are recognized in equity as equity transactions in the form of payments to outside shareholders if they do not change the status of the subsidiary (so-called "acquisition without status change"). The resulting differences are offset against the as yet unutilized results.

iv. Loss of control

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

v. Investments accounted for using the equity method

Associates are those companies on which the Group can exercise significant influence, but is not able to control or jointly direct the Company's financial and business policies. Significant influence is presumed when GATEWAY is entitled to a share of voting rights of at least 20% or more directly or indirectly.

A joint venture is an arrangement under which the Group exercises joint control and holds rights to the net assets of the arrangement, instead of rights to its assets and obligations for its liabilities.

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

The Group's share of the profits or losses of associates is recognized in the income statement from the date of acquisition. The cumulative changes after acquisition are offset against the net carrying amount. If the Group's share of losses in a company consolidated on the basis of the equity method corresponds to or exceeds the Group's share in this company, including other unsecured receivables, the Group does not recognize any further losses unless it has entered into obligations for that company or has made payments for that company.

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

vi. Transactions eliminated during consolidation

Intragroup receivables and payables and income and expenses are offset. Intragroup transactions, balances and profits on transactions between Group companies are eliminated. Unrealized profits on transactions between Group companies and companies consolidated on the basis of the equity method are eliminated in the amount of the proportional share of equity held in the associates. Unrealized losses are likewise eliminated, unless the transaction is indicative of an impairment of the transferred asset.

B. SCOPE OF CONSOLIDATION

GATEWAY's scope of consolidation in the reporting period 2021 includes Gateway Real Estate AG as well as 80 (previous year: 62) subsidiaries. A total of 76 (previous year: 56) companies have their registered office in Germany and 4 (previous year: 6) in other countries.

As of December 31, 2021, one associate was included in the consolidated financial statements using the equity method. In the previous year, in contrast, seven joint ventures and two associates had been included in the consolidated financial statements using the equity method. As a result of the sale of the shares in Development Partner AG, Duesseldorf, in the first quarter of 2021, the joint ventures Projektentwicklung **Abraham-Lincoln-Straße** in Wiesbaden Beteiligungsgesellschaft mbH & Co. KG, Duesseldorf, Projektentwicklung am **Barmbeker Bahnhof** in Hamburg Beteiligungsgesellschaft mbH & Co. KG, Duesseldorf, Immobiliengesellschaft **Hutfiltern** in Braunschweig GmbH, Duesseldorf, and Projektentwicklung **Weender Straße** in Göttingen GmbH & Co. KG, Duesseldorf, as well as the 20% investment in Projektentwicklung Venloer Straße in Köln S.à r.l., Berlin, which was classified as an associate, were deconsolidated.

Moreover, GAMWAY Holding GmbH (i.L.), which had been classified as a joint venture, was finally liquidated in the year under review. The company was dissolved on April 1, 2021.

Please refer to Note 6.4 for more details.

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

Companies of subordinate importance for the Group's financial position, cash flows and financial performance were not included in the consolidated financial statements for materiality reasons.

A detailed list of the Group's shareholdings is included in Note 7.7.

C. CHANGES IN THE SCOPE OF CONSOLIDATION

Disposal of the Commercial Properties Development business area

Within the context of the strategic realignment and the focus on the Residential Properties Development segment, the agreement on the purchase and transfer of shares dated February 3, 2021 was executed effective March 16, 2021, and all of the shares held in Development Partner AG, Duesseldorf, were sold, in equal parts, to IMFARR Beteiligungs GmbH and YN Beteiligungen Holding, Switzerland.

In contrast to the original plan, three commercial properties development projects (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH und Storkower Straße 142–146 PE GmbH) remain in the portfolio of GATEWAY as the necessary shareholder approval could not be obtained and will be sold over time. Accordingly, the respective companies continue to be reported under the Commercial Properties Development segment, and all items were reclassified back to the regular line items of the continuing operation.

This resulted in almost full deconsolidation of the Commercial Properties Development segment. The accounting effects resulting from the disposal and the classification as a discontinued operation in accordance with IFRS 5 are presented in Note 2.23.

Acquisition of residential development projects in Cologne and Dresden
Based on a share purchase agreement dated February 17, 2021, all of the shares in Borussia Development GmbH (previously Gerch Invest GmbH) were acquired from the related company SN Beteiligungen Holding AG, Switzerland, for a purchase price of €70 million, which is deferred until December 31, 2022 (interest: 4.25%). Furthermore, additional purchase prices were agreed which will be charged if certain construction stages of the acquired projects are resold with a profit margin defined in the contract. The additional purchase prices amount to a maximum total of €50 million, plus accrued interest, if applicable. With an equity interest of 89.9%, Gateway Real Estate AG has been the indirect controlling shareholder of Borussia Dresden Quartiere am Blüherpark (previously Gerchgroup Dresden Quartiere am Blüherpark) 1–8, in the meantime GmbH & Co. KG 9–12 UG (haftungsbeschränkt), respectively, of Borussia Dresden Investment UG (haftungsbeschränkt), and of Borussia Dresden Einkaufs-GbR as well as of Borussia Köln Deutz Quartiere (previously GERCHGROUP Köln DQ) 1–21 UG (haftungsbeschränkt), of Borussia Köln Deutz Quartiere Erschließungs UG (haftungsbeschränkt), and of Borussia Köln DQ Einkaufs-GbR since that date and consolidated these companies for the first time as of February 18, 2021.

Purchase of land in Chemnitz
By way of a land purchase agreement dated March 9, 2021, the subsidiary Gateway Achtzehnte GmbH, which previously had not been consolidated for reasons of immateriality, acquired several plots of land in Chemnitz. It is planned to construct, above all, apartments on these sites and to resell these subsequently.

Purchase of additional shares in Duisburg shopping center
Based on a share purchase agreement effective January 1, 2021, the Company acquired another 39.9% of the shares in Duisburg EKZ 20 Objekt GmbH as well as a loan receivable. Duisburg EKZ 20 Objekt GmbH has been fully consolidated since January 1, 2021 as a result of the respective controlling influence of Gateway Real Estate AG. Previously, the 50% stake was accounted for as an investment accounted for using the equity method. The purchase price and the loan receivable amount to a total of approximately €11.1 million and was paid by offsetting loan receivables.

Sale of Gateway Asset Management GmbH
Based on a share purchase agreement dated June 30, 2021, all of the shares of Gateway Asset Management GmbH were sold to the related company Development Partner AG. Initially, the provisional purchase price amounts to €25 thousand and is determined finally on the basis of a closing balance sheet.

Acquisition of additional shares in So SoHo Sullivan GmbH & Co. KG for the SoHo Mannheim project development and increase of shares in Gateway SoHo Sullivan GmbH & Co. KG
Based on a share purchase agreement dated May 19, 2021, an additional 40% of the shares in So SoHo Sullivan GmbH & Co. KG, which previously had not been accounted for using the equity method for reasons of immateriality, were acquired for a purchase price of €7.1 million. The company has a land purchase agreement that has been certificated by a notary public, but has not been fully executed and will be included in the Group as a fully consolidated subsidiary for the first time in the first half.

Moreover, the shareholding of Gateway Residential GmbH in Gateway SoHo Sullivan GmbH & Co. KG were increased by another 10% to now 100%. The purchase price for the remaining shares was €1.5 million and was charged against the disposed non-controlling interests in equity.

Accrual of Gateway Zweite GmbH & Co. KG to Gateway Real Estate AG
As a result of the retirement agreement dated December 20, 2021 between the general partner Gateway Siebte GmbH and Gateway Zweite GmbH & Co. KG, Gateway Zweite GmbH & Co. KG accrued (Anwachsung) to its sole limited partner, Gateway Real Estate AG (GTY AG), in accordance with Section 738 (1) of the German Civil Code (Bürgerliches Gesetzbuch, BGB) effective December 31, 2021. Accordingly, the assets and liabilities of Gateway Zweite GmbH & Co. KG accrue to Gateway Real Estate AG as the sole remaining shareholder by way of universal succession. Gateway Zweite GmbH & Co. KG ceases to exist upon accrual by way of winding-up without liquidation.

Acquisition of residential project company in Hamburg
Effective December 20, 2021, 100% of the shares in a residential project company in Hamburg was acquired.

Purchase of Gateway Neunzehnte GmbH and Gateway Zwanzigste GmbH
Effective December 2, 2021, the companies Gateway Neunzehnte GmbH and Gateway Zwanzigste GmbH were acquired for a purchase price of €27,800 each.

2.4 FUNCTIONAL CURRENCY

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

2.5 INTANGIBLE ASSETS

A. GOODWILL

Goodwill is calculated as the excess of acquisition costs of a company over the Group's share of the fair value of the net assets of the acquired company at the acquisition date, and is presented as an intangible asset. Goodwill represents the expected synergy effects of the business combination for the group of cash-generating units (CGU) to which the goodwill is attributed.

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

B. OTHER INTANGIBLE ASSETS

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

2.6 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is charged on a straight-line basis with due regard to the residual value and based on the following main useful lives:

— IT hardware: 3 to 5 years
— Leasehold improvements and office equipment: 5 to 23 years

The residual values and remaining economic useful lives are reviewed and when necessary adjusted at every reporting date. Subsequent acquisition or production costs are only capitalized if it is probable that future economic benefits will flow to the Company. All other repairs and maintenance are recognized as expenses in the statement of comprehensive income in the fiscal year in which they are incurred. If the carrying amount of an asset is higher than its estimated recoverable amount, the carrying amount is written down to the recoverable amount. Gains and losses on the disposal of property, plant and equipment are calculated by comparing the sale proceeds with the carrying amount plus directly allocable selling expenses, and are recognized within operating profit.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

To determine the potential need for an impairment, assets are aggregated to form cash-generating units (CGUs) at the lowest level for which cash flows that are largely independent of the cash flows from the Company's other activities can be identified. Goodwill acquired in a business combination is allocated to the CGUs or the groups of CGUs that are expected to derive a benefit from the synergies of the combination.

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

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

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

The value in use as of September 30 used for the goodwill impairment test is determined by discounting the expected future cash flows from continuing use of the CGUs on the basis of a risk-adjusted interest rate. The future cash flows are determined based on the medium-term 5-year planning approved by the management as applicable as of the date when the impairment test is conducted. This planning is based on the expectations as regards future market shares, the general development of the relevant markets as well as the profitability of the projects and the project term. The rounded risk-adjusted interest rates, which were determined specifically for the respective group of CGUs and which are used for discounting the cash flows, are based on the weighted average cost of capital and amount to 4.35% (previous year: 4.09%) after taxes for the group of CGUs "Standing Assets" and 5.30% (previous year: 4.77%) after taxes for the group of CGUs "Residential Properties Development". As a result of the disposal of the Commercial Properties Development business area, the associated goodwill was deconsolidated. In the previous year, the average weighted cost of capital after taxes for the group of this CGU was 4.77%.

The determination is based on the capital asset pricing model, taking into account current market expectations. To determine risk-adjusted interest rates for impairment test purposes, specific peer group information regarding beta factors, capital structure data as well as the borrowing rate are used. In accordance with IFRS 13, the determination of the recoverable amount is allocated to hierarchy level 3 (see Note 3.3 Classes of financial instruments in accordance with IFRS 7) of the measurement categories used for fair value measurement. In addition, various sensitivity analyses are performed. These show that there is no requirement to record impairment losses even in case of unfavorable assumptions as regards key influencing factors with respect to the original planning.

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

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

2.8 INVESTMENT PROPERTIES

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

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

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

Properties that are meant to be held on a long-term basis, but do not meet the criteria for investment properties according to IAS 40 are presented within property, plant and equipment.

Properties developed by the Group itself and intended to be sold after completion are presented as inventory properties.

There are no sales activities related to investment properties. They are meant to be held and leased over the medium to long term or held for appreciation purposes.

Upon initial recognition, investment properties are measured at cost, including incidental expenses. In subsequent periods, they are measured at fair values which reflect the market conditions at the reporting date, taking into account the corresponding tax effects. Any profit or loss from a change in fair value is recognized through profit or loss. Subsequent costs for expanding and rebuilding the property are added to the carrying amount if they contribute to an increase in the fair value of the property.

As an additional assumption applied in measuring the value of investment properties, the best possible use of a property must be considered. Planned use changes are taken into account in the measurement of properties if such changes are technically feasible, legally permissible and financially practicable.

Real estate holdings are measured annually at December 31. The fair values of investment properties are measured on the basis of appraisals conducted by an independent, external expert applying recognized valuation methods. The independent experts engaged for this purpose possess the requisite professional qualifications and experience to conduct the appraisals. The appraisals are based on information provided by the company, including (for example) current rents, maintenance and administrative expenses, and the current vacancy rate, as well as assumptions of the expert appraiser, which are based on market data and evaluated on the basis of his professional qualifications. Such assumptions relate to (for example) future market rents, standardized maintenance and administrative expenses, structural vacancy rates and capitalization interest rates.

The information provided to the appraiser and the assumptions made, as well as the results of the real estate appraisal, are analyzed by the Company.

2.9 FINANCIAL ASSETS

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

Upon initial recognition, financial assets are assigned to one of the following measurement categories:

— Financial assets measured at amortized cost (AmC);

— Financial assets measured at fair value through other comprehensive income (FVtOCI);

— Financial assets measured at fair value through profit or loss (FVtPL).

The classification depends on the Company's business model for managing financial assets and the contractual cash flows.

The Group measures its financial assets at amortized cost when both the following conditions are met, provided they are not designated as at fair value through profit or loss:

— The objective of the business model under which the financial asset is held is to collect contractual cash flows; and

— the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets that belong within this valuation category consist of trade receivables, other financial assets, and cash and cash equivalents.

Financial assets measured at fair value through other comprehensive income include:

— Equity instruments that are not held for trading purposes and which the Group has irrevocably elected to assign to this category upon initial recognition.

— Debt instruments generating contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, when the objective of the business model under which the financial assets are held is both to collect the contractual cash flows and to sell the financial assets.

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

Assets that do not meet the criteria of the "amortized cost" category or the "FVtOCI" category are assigned to the "fair value through profit or loss" (FVtPL) category.

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

Financial assets are not reclassified after initial recognition unless the Group changes the business model for managing the financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change of business model. In both the reporting period and the comparative period, the Group did not reclassify any financial assets.

Embedded derivatives in structured contracts that include a host contract that represents a financial asset in accordance with IFRS 9 are not separated. Instead, the structured contract in its entirety is classified according to IFRS 9.

Embedded derivatives in structured contracts that include a host contract that represents either a financial liability or an asset that does not fall within the scope of IFRS 9 must be separated from the host contract under certain circumstances. This applies when:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined contract is not measured at fair value with changes in value recognized in profit or loss for the period.

Upon initial recognition, the Group measures a financial asset at fair value. In the case of a financial asset subsequently not measured at fair value through other comprehensive income, transaction costs that are directly allocable to the acquisition of the asset are added to the fair value. Transaction costs allocable to financial assets measured at fair value through profit or loss are recognized as expenses in the income statement. Trade receivables without a significant financing component are measured at the transaction price upon initial recognition.

Trade receivables and issued bonds are recognized from the time at which they are issued. All other financial assets and liabilities are recognized for the first time on the trade date if the Company is a party to the contract according to the contractual provisions of the instrument.

Financial assets carried at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange rate gains and losses, and impairments are recognized in profit or loss. Interest income is presented within net finance costs. Any profit or loss arising on derecognition is recognized in operating profit. Equity investments initially measured at FVtPL are measured at fair value in subsequent periods. Dividends are recognized as income in profit or loss.

The Group derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire or it transfers the rights to receive cash flows in a transaction in which substantially all the risks and rewards incidental to ownership of the financial asset are transferred. A financial asset is also derecognized when the Group neither transfers nor retains substantially all the risks and rewards incidental to ownership and does not retain control over the transferred asset.

Financial assets and liabilities are netted and presented as a net amount in the statement of financial position when the Group has a current, enforceable legal right to offset the recognized amounts and intends to either settle them on a net basis or to realize the asset and settle the corresponding liability simultaneously.

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

2.10 IMPAIRMENT OF NON-DERIVATIVE FINANCIAL ASSETS

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

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

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

In determining whether the default risk of an asset has increased significantly in the time since initial recognition, and in estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and available without an unreasonable expenditure of time and costs. This includes both quantitative and qualitative information and analyses that are based on the Group's past experience and well-founded estimates, including forward-looking information.

In principle, the Group assumes that the default risk of a financial asset has increased significantly if it is past due for more than 30 days.

The Group considers a financial asset as defaulted when it is unlikely that the debtor can fully meet its loan obligations towards the Group without the debtor having to rely on measures such as the realization of collateral (if any), or when the financial asset is more than 90 days past due.

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

— breach of contract – i.e. more than 90 days past due or in default;

— severe financial difficulties of the debtor; or

— (impending) insolvency of the debtor.

Impairments of financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the group cannot reasonably expect that the financial asset can be recovered in full or in part. This is usually the case, amongst other things, when the debtor fails to commit to a repayment plan with the Group. The Group does not expect any significant recoveries of the written-off amount. However, written-off financial assets may be subject to enforcement measures to collect past-due receivables in order to act in accordance with the Group Guideline.

2.11 INVENTORIES

The Group's inventories mostly consist of the properties developed by the Group itself and are meant to be sold after completion. The development of residential properties, including for the Company's own portfolio, is essentially a focus of GATEWAY's business activities. In the Residential Properties Development segment, the Group's development activities are focused on selected metropolitan regions in Germany. In development projects, the development process usually begins with the purchase of the property and a subsequent lease termination phase before the construction phase begins.

In the Residential Properties Development segment, the Group develops residential buildings and urban quarters in Germany's top 9 cities (i.e. Berlin, Dresden, Cologne, Frankfurt am Main and in selected metropolitan regions).

In accordance with IAS 2, inventory properties are measured at the lower of amortized cost and the net realizable value in the statement of financial position. The production costs of property developments include the costs allocable to the development process and borrowing costs if they are incurred during the period of construction. All costs are capitalized in the item "Changes in inventories of finished goods and work in progress".

The acquisition costs for properties intended for sale include the purchase price of the properties and the directly allocable incidental expenses.

Net realizable value is the estimated selling price realizable in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. At the reporting date, the net realizable values of all inventory properties were higher than their amortized cost, so that no impairments needed to be recognized in the net realizable value.

The majority of current inventory properties will not be realized within the next 12 months, given the fact that property developments usually take several years to complete. However, the exact amount cannot be stated because it is uncertain in case of some inventory properties, especially in connection with forward sales, whether these will be carried out already in 2022 or later.

As a general rule, the sale of inventory properties is presented on a gross basis in the statement of comprehensive income. The disposal of the inventory property is recognized in the item "Changes in inventories of finished goods and work in progress" and the corresponding sale proceeds represent revenues.

If the intended use for a property changes, the property is reclassified. In the reporting period, the development projects of the company Borussia Dresden Quartiere am Blüherpark 10 UG was reclassified to the non-current items "Completed investment properties" and "Investment properties under development", respectively, as a result of the changed intended use, which was in accordance with IAS 40.57. Please also refer to Note 6.3.

2.12 CASH AND CASH EQUIVALENTS

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

2.13 OTHER PROVISIONS

Other provisions are recognized when the Company incurs a present obligation, legal or constructive, as a result of a past event and it is probable that the settlement of the obligation will require an outflow of economic resources, and the amount of the obligation can be estimated reliably.

Expected future outflows are discounted to present value by application of a current maturity-matched interest rate before taxes that reflects the current market expectations for the interest effect and for the risks specific to the liability, if the effect is material.

If the Company expects reimbursement of an amount set aside in a provision (e.g. under an insurance policy), it treats the reimbursement claim as a separate asset as long as it is virtually certain that reimbursement will be received if the Company settles the obligation.

The Company recognizes a provision for onerous contracts if the expected benefit from the contractual claim is less than the unavoidable costs of settling the contractual obligation.

2.14 FINANCIAL LIABILITIES

The Group's financial liabilities are generally measured at amortized cost. They only include liabilities from taking out loans and bonds, trade payables, and other financial liabilities. Upon initial recognition, these financial liabilities are measured at fair value, taking into account transaction costs. In subsequent periods, they are measured at amortized cost; any difference between the amount received (taking into account transaction costs) and the amount to be repaid is recognized in the statement of comprehensive income over the term of the liability by application of the effective interest method.

Only the liabilities of non-controlling shareholders is to be measured at fair value through profit or loss. Consequently, valuation adjustments of the limited partner's share of non-controlling shareholders or the financial liability recognized in that respect have to be recognized in profit or loss.

Fees for the creation of credit facilities are recognized as transaction costs to the extent that it is probable that part or all of the credit facility will be utilized. In this case, an accrual is recognized in respect of the fee until the credit facility is utilized. In the absence of indications that the utilization of part or all of the credit facility is probable, the fee is capitalized as an advance payment for financial services and amortized over the term of the facility.

When financial liabilities are acquired, they are checked for embedded derivatives that need to be separated. In the context of GATEWAY, these are particularly termination options embedded in bonds or loan agreements in connection with minimum interest. If there is an embedded derivative that is required to be separated, the embedded termination rights are separated at initial recognition from the basic debt component and recognized in equity and a derivative asset or derivative liability is recognized at the same time. The derivative financial instruments separated from the host contract have to be allocated to the FVtPL category and have to be measured subsequently at fair value through profit or loss. Embedded derivatives are measured using option pricing models that are accepted as financial calculation methods.

Financial liabilities are derecognized as soon as the contractual obligation is discharged, canceled, or expired. Moreover, the Group derecognizes a financial liability when the contractual terms are modified and the cash flows of the modified liability are significantly different. In this case, a new financial liability is recognized at fair value based on the modified terms. The difference between the carrying amount of the derecognized financial liability and the consideration paid, including transferred non-cash assets or liabilities, is recognized in the statement of profit or loss as other income or finance costs.

Financial liabilities are classified as current if the Group does not have an unconditional right to defer settlement of the liability to a date at least 12 months after the reporting date.

2.15 BORROWING COSTS

As a general rule, borrowing costs that can be attributed directly to the acquisition, construction, or production of a qualifying asset are part of the acquisition or production costs of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. A period of time longer than 12 months is deemed to be a substantial period of time. If it is probable that the qualifying asset will generate future economic benefits and the costs can be reliably measured, borrowing costs are capitalized as part of acquisition and production costs. Investment income from the temporary interim investment of borrowed funds that were specifically borrowed for the acquisition or production of a qualifying asset is deducted from the potentially capitalizable borrowing costs for this qualifying asset. In the case of property inventories under development, interest incurred during construction is capitalized on the basis of the actual interest incurred. The capitalization is recorded as a change in inventories and thus has a positive effect on EBITDA.

Borrowing costs of €31,214 thousand (previous year: €20,879 thousand) were capitalized within changes in inventory in the reporting period. As in the previous year, borrowing costs incurred in the year under review were directly attributable to production and could be capitalized accordingly.

2.16 DEFERRED AND CURRENT INCOME TAXES

Current and deferred income taxes are recognized and measured in accordance with IAS 12.

CURRENT TAXES

Current income tax assets and liabilities are measured at the expected amount of a refund from or a payment to the tax authorities. The amount is calculated on the basis of the tax rates and laws applicable at the reporting date. Current income tax assets and liabilities are netted under the conditions set out in IAS 12.71.

DEFERRED TAXES

Deferred tax receivables and liabilities are recognized to account for the future tax effects resulting from temporary differences between the IFRS carrying amounts of assets and liabilities and the corresponding tax bases, or resulting from yet unused tax loss carry-forwards and tax credits. Deferred tax assets and liabilities are generally recognized in profit or loss. However, to the extent that they relate to transactions that are recognized directly in equity, the corresponding deferred taxes are also recognized directly in equity.

They are measured at the tax rates that are expected to apply in the reporting period in which the corresponding asset will be recovered or the corresponding liability settled. The effect of tax rate changes on deferred taxes is recognized in net income tax in the period in which the change was enacted by the legislator.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the tax loss carryforwards, tax credits, or tax-deductible temporary differences can be utilized (IAS 12.24 and 12.34). Deferred tax assets and liabilities are offset when there is an enforceable right to offset current tax assets and liabilities and if the deferred tax assets and liabilities are income taxes assessed by the same tax authority on the same taxpayer.

2.17 REVENUE RECOGNITION

IFRS 15 (Revenue from Contracts with Customers) establishes a comprehensive framework for determining whether, in what amount, and at what time revenues are to be recognized.

In accordance with IFRS 15, revenue is measured on the basis of the consideration specified in a contract with a customer. The amount of revenue to be recognized and at what time or over what time period is determined on the basis of the 5-step model. The basic principle of the five-step model is to recognize revenues in a form that reflects the transfer of goods or services to a customer. The amount of revenue to be recognized corresponds to the consideration to which the Group is contractually entitled in exchange for these goods or services.

IFRS 15 defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. Contracts may be concluded in writing, orally, or implicitly on the basis of a company's customary business practices. Contracts must be combined under certain circumstances. In the second step, the Group identifies the individual performance obligations. Generally speaking, a commitment is always deemed to be a performance obligation when the good or service is distinct. In the third step, the transaction price is determined, which represents the consideration for the transfer of goods or services. The transaction price of the contracts analyzed may include variable components. On the one hand, this refers to the contractually agreed purchase price reductions of the construction projects, such as Projektentwicklung Rudolfplatz in Köln GmbH, Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH as well as Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH; these purchase price reductions are contractually agreed and, to that extent, limited. The project developments were sold as a result of the discontinuation of the material activities in the Commercial Properties Development segment in the first quarter of the fiscal year, but are included on a pro rata basis in the revenue of the discontinued operation. On the other hand, incidental cost statements are of a variable nature and were determined on the basis of the expected value method. The expected value is continuously reviewed and corrected. The time period between the transfer of the good or asset to the customer and the payment by the customer is usually not more than one year. Therefore, the promised consideration is not adjusted to match the time value of money. In step four, the consideration is allocated to the identified performance obligations on the basis of stand-alone selling prices. A suitable evidence of the stand-alone selling price is the price at which the Group has actually sold the good or service individually to comparable customers under similar circumstances. If the stand-alone selling price is not reliably observable and therefore cannot be determined, the Group applies the expected cost plus a margin approach in accordance with IFRS 15.79(b) to determine the stand-alone selling price.

Revenues are recognized at a point in time or over time according to when the existing performance obligations are satisfied. The Group recognizes revenues over time provided the requirements for a transfer of control over time in accordance with IFRS 15.35 (a)–(c) are met. If the performance obligation is not satisfied over time, then the Group satisfies its performance obligation on a particular date. A performance obligation is satisfied by transferring control over the good or service. In this context, control is understood to mean the ability to direct the use of the good or service and obtain the main benefit from it.

Revenues from sales of project or investment properties are recognized as revenues at the date when control is transferred to the buyer. This normally occurs upon the transfer of possession, benefits, obligations and risks of the properties. Income from sales of inventory properties (project developments or properties intended for immediate resale) is presented as revenues. By contrast, gains or losses (net balance of sale proceeds minus the carrying amount derecognized) from sales of investment properties are presented as other operating income or expenses. Recognized revenues are equal to the contractually agreed transaction price. The consideration is usually payable after the transfer of the investment property.

If a binding purchase agreement is already concluded prior to the completion of the development phase of a property (forward sale), revenue is recognized depending on when the performance obligations are satisfied. In connection with the plot of land to be transferred, revenue is recognized at a point in time, i.e. when control is transferred to the acquirer, in case separate performance obligations have been identified. A precondition for this accounting treatment is that the buyer no longer has a substantive right of rescission after the conclusion of the purchase agreement. In connection with project development/the construction project, revenue is recognized over time based on the determined percentage of completion. This is ascertained based on the basis of the ratio of construction costs incurred to the estimated total costs (cost-to-cost method). The supervision of construction projects established and performed within the Group allows for the actual costs incurred as well as the estimated total costs of the project to be estimated and allocated as precisely as possible. The transaction price underlying the contractual relationship – after taking into account variable components, if applicable – is allocated to the identified performance obligations based on the relation of the stand-alone selling prices to the estimated total costs.

As of December 31, 2021, this applies to, on a pro rata basis, Projektentwicklung Rudolfplatz in Köln GmbH, Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH as well as Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH, which were fully included in the consolidated financial statements until their deconsolidation.

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

GATEWAY also provides services in the form of management services agreements. The service essentially comprises the commercial execution and commercial management of construction projects, particularly including the planning, development and rental of project properties. The management services agreements specify various milestones by which the degree of completion is measured. Upon reaching a contractually agreed milestone, the Group transfers control over the construction section and acquires an unconditional claim to payment of consideration. The transaction price does not include any variable price components and the period of time between the provision of the service and the payment of the consideration is less than one year. Revenues from service agreements are recognized over time because the customer obtains the benefits of the service while it is being provided. This assessment is based on the fact that another company would essentially not need to provide this previous service again if this other company were to satisfy the remaining performance obligations to the customer. The percentage of completion is measured using the output method and is based on milestones and the corresponding fees, so that it presents a true and fair view of the transfer of control.

The Company recognizes interest income pro rata temporis with due regard to the remaining principal and the effective interest rate over the remaining term to maturity.

The guarantees and warranties contained in the contractual relationships do not constitute a separate performance obligation since they simply assure the customer that the supplied good or service corresponds to the contractually agreed specifications (assurance-type warranty). There are no return, reimbursement or other obligations.

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

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

2.18 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Obligations under short-term employee benefits are recognized as expenses as soon as the corresponding employee service is rendered. A liability is recognized for an amount that is expected to be paid when the Group currently has a legal or constructive obligation to pay this amount in respect of service rendered by the employee and when the obligation can be estimated reliably. Liabilities for wages and salaries, including non-monetary benefits for annual vacation and accumulated sick days that are expected to be paid in full within 12 months of the end of the fiscal year in which the employee provided the services, are recognized at the end of the reporting period and measured at the amounts that are expected to be necessary to settle the obligation.

TERMINATION BENEFITS

Termination benefits are recognized as expenses at the earlier of the following two dates: when the Group can no longer withdraw the offer of such benefits, or when the Group recognizes expenses for a restructuring. If it cannot be expected that the benefits will be completely paid within 12 months of the reporting period, they are discounted to present value.

2.19 LEASES

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

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

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

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

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

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

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

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

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

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

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

2.20 RESIDUAL CLAIMS AND DIVIDEND PAYMENTS

The Group holds shares in companies in which non-controlling shareholders also hold a stake (Gateway Vierte GmbH, Gateway Fünfte GmbH, Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH and Storkower Straße 142–146 PE GmbH). For these company forms, the non-controlling interests must be recognized as a liability based on the existing termination rights.

Non-controlling interests are measured at fair value through profit or loss. Consequently, valuation adjustments of the share of non-controlling interests or the financial liability recognized in that respect are to be recognized in profit or loss.

2.21 CASH FLOW STATEMENT

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

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

Other non-cash expenses and income, as reported in the reconciliation of total comprehensive income for the period to the cash flows from operating activities, arose in connection with the planned sale of shares in three commercial properties development projects in Berlin (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH und Storkower Straße 142–146 PE GmbH) which eventually was not completed. The related as yet non-cash contractual penalty in the amount of €16,000 thousand is included in the changes in other financial liabilities. In the previous year, the items included allowances recognized for other financial receivables as well as the reversals of provisions.

In the fiscal year under review, a non-cash amount of €10,319 thousand was offset between the line items “Other financial assets” and “Other financial liabilities”.

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

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

—

FINANCIAL LIABILITIES

in € thousand	2021	2020
Balance as of 01/01	**605,994**	**616,009**
Cash inflows from additions to financial liabilities	76,697	143,100
Transaction costs	0	–845
Repayments of financial liabilities	–86,090	–157,977
Total change in cash flows from financing activities	**–9,393**	**–15,722**
Changes from the acquisition or loss of subsidiaries, other businesses or net assets that do not represent a business	**21,464**	**0**
Reclassification of trade payables	**53,881**	**0**
Other changes		
Finance costs	42,043	28,087
Interest paid	–16,927	–20,825
Miscellaneous changes	–9,376	–1,555
Total other changes	**15,740**	**5,707**
Balance as of 12/31	**687,686**	**605,994**

2.22 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale or held for distribution when it is highly probable that they will be recovered mainly through sale or distribution and not through continued use.

In general, these assets or the disposal group is measured at the lower of their carrying amount or fair value less costs to sell. Any impairment of a disposal group is initially attributed to goodwill and then to the remaining assets and liabilities on a pro-rata basis – with the exception that no loss is attributed to inventories, financial assets, deferred tax assets, assets related to employee benefits, or investment properties that are still measured in accordance with the Group’s other financial reporting methods. Impairment losses recognized upon the initial classification as held for sale or held for distribution and subsequent gains and losses upon revaluation are recognized in profit or loss.

Once classified as held for sale or held for distribution, intangible assets and property, plant and equipment are no longer subjected to amortization and depreciation, and every investee accounted for by the equity method is no longer accounted for by the equity method.

The special measurement rules pursuant to IFRS 5 for the date of reclassification and subsequent measurement do not apply to properties that had previously been presented within the item of "Investment properties". In these cases, the measurement rules of IAS 40 continue to apply. To this extent, only the rules applicable to the reclassification to the item "Non-current assets held for sale" apply. As a general rule, such properties are reclassified when there is a sale contract for the property or the corresponding company at the reporting date or the sale of the property within the next 12 months is highly probable (economically reasonable and objectively practicable). Please refer to Note 2.8 for more information on measurement rules.

2.23 DISCONTINUED OPERATION

A discontinued operation is a component of the Group's business whose operations and cash flows can be clearly distinguished from the rest of the Group and that

— represents a separate major line of business or geographical area of operations;

— is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or

— is a subsidiary acquired exclusively with a view to resale.

A business is classified as a discontinued operation upon disposal or, if earlier, once the criteria for a classification as held for sale are met. We refer to Note 2.22.

When a business is classified as a discontinued operation, the statement of comprehensive income of the comparative year is adjusted as if the business had been sold at the beginning of the comparative year.

In accordance with usual practice applied for consolidation, intragroup income recorded at the business operation providing the service and the related internal expenses of the receiving business operation is eliminated and allocated to the appropriate business operation.

The sale of the shares in Development Partner AG, including its subsidiaries, met the criteria set out in IFRS 5 for a classification as a discontinued operation as it was a separate major line of business. The criteria were fulfilled especially due to the sale that was planned and closed in the year under review.

Three commercial properties development projects (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH und Storkower Straße 142–146 PE GmbH) remain in the portfolio of GATEWAY as the necessary shareholder approval could not be obtained; these projects will be sold over time. Accordingly, the respective companies continue to be reported under the Commercial Properties Development segment, and all items were reclassified back to the regular line items of the continuing operation.

The Commercial Properties Development business area was not classified as a discontinued operation in the previous year. In accordance with IFRS 5, the presentation of the discontinued business area for the prior year was adjusted, with all expense and income items being presented in separate columns in the statement of profit or loss.

Disposed assets and liabilities of the discontinued operation

—

in € million	
Intangible assets	24.3
Property, plant and equipment	2.0
Investments accounted for using the equity method	7.1
Deferred tax assets	2.7
Inventories	445.7
Trade receivables	2.9
Income tax receivables	0.1
Other financial and non-financial assets	28.9
Cash and cash equivalents	20.9
Assets of the disposal group as of the deconsolidation date	534.6
Other provisions	0.4
Financial liabilities	281.8
Deferred tax liabilities	10.7
Other financial and non-financial liabilities	24.0
Income tax liabilities	4.2
Trade payables	12.5
Liabilities of the disposal group as of the deconsolidation date	333.6
Net assets as of the deconsolidation date	201.0

Upon the closing of the transaction on March 16, 2021, the assets and liabilities of the discontinued operation were disposed.

Net gain from the sale of the discontinued operation:
The purchase price for the shares of Development Partner AG amounts to €101.0 million, less a purchase price reduction of €6.3 million. In addition, receivables in the amount of €134.4 million remain within the Group and have to be repaid in the following year.

As the necessary shareholder approval could not be obtained, three development projects for commercial properties in Berlin remain in GATEWAY's ownership and will be sold over time. Contractual penalties of €16.0 million were incurred in this context.

As a result of these circumstances, primarily due to the fact that the sale was not completed and that the disposal of the three companies within the context of the overall plan for the desinvestment of the entire Commercial Properties Development business area was originally part of the plan, it is expected that the criterion of a "highly probable" disposal is not met with regard to the three companies; therefore, the requirements for a presentation as a discontinued operation are not met. However, this does not affect the classification of the properties included in these companies as inventory properties, i.e. the sale of the properties is intended to be carried out in the ordinary course of business.

The acquirers of the interests are, in equal parts, IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG, which is a company controlled by Yannick Patrick Heller. In accordance with IAS 24, Mr. Keller can be considered a related party of a Supervisory Board member. Please also refer to Note 7.3.

The Group received cash funds from this transaction in the amount of €127.9 million during the fiscal year.

Based on the purchase price of €94.7 million and the net assets disposed as of March 16, 2021, in the amount of €201.0 million (including goodwill of €24.0 million) plus receivables remaining within the Group of €134.4 million, the resulting deconsolidation gain (excluding transaction costs of €0.3 million) amounts to €28.1 million. This deconsolidation gain is solely attributable to shareholders of Gateway Real Estate AG since there are no non-controlling interests in the selling companies. It is generated by the discontinued operation presented in other operating income of the discontinued operation.

The disposal of the shares in Development Partner GmbH, Duesseldorf, is tax-exempt in Germany. Therefore, the net deconsolidation gain is not subject to income tax for the Group.

Cash outflows/inflows from the discontinued operation:
—

in € thousand	01/01–12/31/2021	01/01–12/31/2020
Cash outflows from operating activities	–2,533	50,100
Cash outflows from investing activities	–147	–366
Cash inflows from financing activities	–382	–47,857
Net cash outflow from discontinued operation	**–3,062**	**1,877**

3. ADDITIONAL DISCLOSURES CONCERNING FINANCIAL INSTRUMENTS

3.1 PRINCIPLES OF FINANCIAL RISK MANAGEMENT

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

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

To limit the receivables default risk, ownership of sold properties is generally transferred to the buyer only after payment of the purchase price. Interest rate risks are not significant due to the predominantly short-term nature of borrowings. Quantitative information related to receivables default risk is provided in the later sub-section "Default risk management".

Quantitative information related to financing and liquidity risk is provided in the later sub-sections "Liquidity risk" and "Financing risk".

3.2 CAPITAL MANAGEMENT

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

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

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

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EQUITY RATIO

in € thousand	2021	2020
Equity	410,785	359,820
Total assets	1,349,613	1,117,626
Equity ratio (in %)	**30.4**	**32.2**

3.3 CLASSES OF FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 7

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

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FINANCIAL ASSETS

	Carrying amount in € thousand				Fair value in € thousand	Level of fair value hierarchy
12/31/2021	Mandatorily at FVtPL	Financial assets – FVtOCI	Financial assets – AmC	Financial liabilities – AmC		
Financial assets measured at fair value						
Equity investments	2,582	0	0	0	2,582	3
Total	**2,582**	**0**	**0**	**0**	**2,582**	
Financial assets not measured at fair value						
Trade receivables	0	0	665	0	665	
Other receivables	0	0	5,526	0	5,526	2
Contract assets	0	0	959	0	959	
Loans	0	0	140,555	0	140,555	2
Security deposits for leased office space	0	0	67	0	67	
Cash and cash equivalents	0	0	16,457	0	16,457	
Total	**0**	**0**	**164,229**	**0**	**164,229**	
Total financial assets	**2,582**	**0**	**164,229**	**0**	**166,811**	

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FINANCIAL LIABILITIES

	Carrying amount in € thousand		Fair value in € thousand	Level of fair value hierarchy
12/31/2021	Mandatorily at FVtPL	Financial liabilities – AmC		
Financial liabilities measured at fair value				
Liabilities, non-controlling interests	742	0	742	3
Total	**742**	**0**	**742**	
Financial liabilities not measured at fair value				
Liabilities to banks	0	237,755	245,810	2
Liabilities to related companies	0	98,889	98,889	2
Liabilities to third parties from exchange-listed corporate bonds	0	72,669	71,341	1
Liabilities to third parties from corporate bonds	0	166,976	170,280	2
Loan liabilities to third parties	0	185,266	190,620	2
Trade payables	0	98,741	98,741	
Other financial liabilities	0	16,586	16,586	
Lease liabilities	0	616	n/a	
Contract liabilities	0	53	53	
Total	**0**	**877,551**	**892,320**	
Total financial liabilities	**742**	**877,551***	**893,062**	

* With the exception of lease liabilities that are separate from the classification in accordance with IFRS 9, the total of the category 'other financial liabilities – AmC' amounts to €876,935 thousand.

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FINANCIAL ASSETS

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

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FINANCIAL LIABILITIES

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

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

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

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

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

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

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

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

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

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

The fair value of cash and cash equivalents as well as financial assets (such as loans) is a reasonable approximation of their carrying amounts due to their short-term maturity. The fair value of trade receivables/payables as well as other receivables/liabilities is a reasonable approximation of their carrying amounts.

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

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

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

—

in € thousand	Derivative financial instruments	Equity investments FVtPL
Balance as of 01/01/2020	**2,002**	**2,996**
Gains (losses) recognized in finance costs	433	–359
Additions	0	0
Balance as of 12/31/2020	**2,435**	**2,637**
Gains (losses) recognized in finance costs	0	–5
Additions	0	0
Disposals from consolidation group	–2,435	–50
Balance as of 12/31/2021	**0**	**2,582**

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

—

in € thousand	Profit or loss	
	Increase	**Decrease**
Balance as of 12/31/2020		
Anticipated fair market refinancing rate (1% change)	–457	529
Balance as of 12/31/2021		
Anticipated fair market refinancing rate (1% change)	0	0

3.4 NET GAINS OR LOSSES FROM FINANCIAL INSTRUMENTS

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

—

NET GAIN OR LOSS

					2021
in € thousand	Mandatorily at FVtPL	Financial assets – FVtOCI	Financial assets – AmC	Other financial liabilities – AmC	Total
Finance income	0	0	6,828	0	**6,828**
Finance costs and other finance costs, net	92	0	0	–42,043	**–41,951**
Impairment and derecognition (in other operating expenses)	0	0	–74	0	**–74**
Net gain or loss	**92**	**0**	**6,754**	**–42,043**	**–35,197**

—

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

3.5 INTEREST RATE RISK

Risks arising from interest rate changes fundamentally exist for the Group in connection with taking out loans to finance the purchase of properties.

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

Based on a risk exposure of €219,063 thousand (previous year: €202,074 thousand) and given a hypothetical increase or decrease in the market interest rate level by 50 basis points, the following effects on earnings before taxes (EBT) would have resulted, which influence the net finance costs presented in profit or loss:

—

RESULT

in € thousand	Basis points	2021	2020
Shift in market interest level	+50 –50	0 0	–16 0

3.6 DEFAULT RISK MANAGEMENT

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

There were no significant default risks at the reporting date. The carrying amount of financial assets recognized in the consolidated financial statements represents the maximum default risk.

TRADE RECEIVABLES

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

The following table shows the credit risk classification of trade receivables as well as their loss allowance:

—

TRADE RECEIVABLES

in € thousand	12/31/2021	12/31/2020
Receivables not past due	257	43
Receivables past due by up to 30 days	46	449
Receivables past due by up to 90 days	14	251
Receivables past due by up to 180 days	5	188
Receivables past due by up to 360 days	261	41
Receivables past due by more than 360 days	82	599
Total	**665**	**1,571**
Impairment	0	–140
Net carrying amount	**665**	**1,431**

Receivables not past due at the reporting date are mainly owed by customers with good creditworthiness or concerning which the Group does not expect any notable defaults. In the past, there were also no material impairments or defaults due to creditworthiness. However, as a result of the COVID-19 pandemic, MUC Airport Living GmbH entered into an agreement to defer lease payments in the amount of €247 thousand for the period from July 2020 to April 2021. Since May 2021, these payments have now been made in equal installments over the remaining lease term.

The majority of past due receivables result from lease receivables. On the basis of current information, it is to be assumed that these receivable can be collected.

The opening balance of impairments of trade receivables as of January 1, 2021 is reconciled with the closing balance of impairments in the table below:

—

IMPAIRMENT ON TRADE RECEIVABLES*

in € thousand	2021	2020
As of 01/01	**140**	**383**
Increase in the impairment for credit losses recognized in profit or loss for the fiscal year	0	0
Amounts written off as uncollectable in the fiscal year	0	0
Amounts derecognized in the context of deconsolidation	–140	0
Amounts not utilized and reversed	0	–243
As of 12/31	**0**	**140**

*Simplified approach

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

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

OTHER FINANCIAL ASSETS

As a result of expected permanent impairment, other financial assets in the amount of €74 thousand (previous year: €10,233 thousand) were derecognized.

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

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

CASH AND CASH EQUIVALENTS

The cash and cash equivalents are deposited in banks and financial institutions. The estimated loss allowance for cash and cash equivalents was calculated on the basis of expected losses within 12 months and reflects the short terms to maturity. The Group assumes that its cash and cash equivalents have a low risk of default due to the external ratings of the banks and financial institutions.

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

3.7 LIQUIDITY RISK

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

The following table shows the contractual terms to maturity of the Group's liabilities that fall within the scope of IFRS 7. The table is based on undiscounted cash flows, according to the earliest date at which the Group may be required to settle the liabilities. The table includes both interest and principal payments.

—

CONTRACTUAL CASH FLOWS

					2021
in € thousand	Within 12 months	From 12 to 24 months	From 24 to 60 months	After more than 60 months	Total
Financial liabilities	–528,501	–53,181	–144,899	–2,920	**–729,501**
Trade payables	–162,565	0	0	0	**–162,565**
Other financial liabilities	–26,579	–847	0	0	**–27,426**
Lease liabilities	–348	–148	–144	0	**–640**
Total	**–717,993**	**–54,176**	**–145,043**	**–2,920**	**–920,132**

—

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

The Group expects that it will be able to pay its liabilities from its own operating cash flow, available financial assets and the funds made available by affiliated companies.

The interest payments for variable-interest loans presented in the table reflect the market conditions for forward interest rates at the end of the fiscal year. These could change when market interest rates change. It is not expected that a cash flow included in the maturity analysis could occur considerably earlier or that a significantly different amount could result.

3.8 FINANCING RISK

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

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

The market risk for the bank loans is relatively low since the existing loans are for the most part at a fixed interest rate or short-term. Unutilized credit facilities from project financings in the amount of €137,589 thousand were available at the reporting date (previous year: €216,468 thousand).

The goal of the financial management system is to ensure that GATEWAY generates the necessary financial resources to finance operational growth and the investments required for this purpose from its own business activities. Until this goal is achieved and implemented, affiliated companies support GATEWAY by providing sufficient financial resources.

3.9 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets transferred as security for current and non-current borrowings are presented in the table below:

—

ASSETS

in € thousand	2021	2020
Current		
Investment properties held for sale	45,200	38,400
Inventories	654,632	604,005
Cash and cash equivalents	2,514	13,712
Total amount of current assets transferred as security	**702,346**	**656,117**
Non-current		
Property, plant and equipment	386	800
Investment properties	286,460	184,920
Total amount of non-current assets transferred as security	**286,846**	**185,720**
Total amount of assets transferred as security	**989,192**	**841,837**

In addition, the following shares in fully-consolidated subsidiaries were provided in full as security:
— Storkower Straße 142–146 PE GmbH (100% of the shares)
— Revaler Straße 32 PE GmbH (100% of the shares)
— Borussia Dresden QaB 1–12 (100% of the shares)
— Borussia Köln-Deutz 1–21 (100% of the shares)
— Project companies of SoHo Mannheim (S1–12) (100% of the shares)

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

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

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

— The market values of investment properties are based on the results of independent experts engaged for this purpose. The appraisals are conducted in accordance with the discounted cash flow method or the residual value method based on expected future revenue surpluses (procedure of Measurement Level 3). Accordingly, factors, which have a direct effect on the fair values of the investment properties, such as future rental income and the valuation interest rate, are estimated by GATEWAY in collaboration with the appraiser. The fair values of investment properties as of the reporting date totaled €286,460 thousand (previous year: €184,920 thousand). We refer to Note 6.3.

- Estimates must be made for the recognition of current and deferred taxes. There are uncertainties related to the interpretation of tax regulations, including for example with respect to the treatment of tax loss carryforwards when ownership changes during a fiscal year, taking into account the rules set out in Section 8c of the German Corporation Tax Act (Körperschaftssteuergesetz, KStG) and Section 10a of the German Municipal Trade Tax Act (Gewerbesteuergesetz, GewStG). Therefore, differences between the actual results and our assumptions or future changes in our estimates can lead to changes of the taxable profit in future periods. In addition, the utilization of deferred tax assets requires future tax results, unless deferred tax liabilities of at least the same amount are also attributable to a tax unit. We refer to Note 6.13.

- Various assumptions need to be made with respect to other provisions, including for example with respect to occurrence probabilities and the utilization amounts of provisions for litigation risks. All information available at the time of preparing the financial statements was considered for this purpose. There were no other provisions recognized as of the reporting date (previous year: €452 thousand). The measurement of the provisions takes into account knowledge of the current state of the litigation as well as the assessment of the Management Board. We refer to Note 6.10.

- There is scope for discretion in determining the time and amount of revenue recognition in accordance with the principles of IFRS 15. If a binding sales contract already exists for a property under development, revenue recognition based on a time period in accordance with the estimated stage of completion can also be considered in addition to revenue recognition based on a specific point in time. This applies accordingly to revenue recognition for undertakings included in the financial statements using the equity method. We refer to Notes 6.4 and 6.14.

5. SEGMENT REPORT

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

There is no reporting of results on the basis of geographical regions because all of the Group's activities are conducted in Germany.

In order to increasingly focus on the development of residential real estate for long-term holding, administration or selling, the Management Board in consultation with the Supervisory Board resolved to expand the corporate strategy and realigned the Company's business areas.

Already at the beginning of the fiscal year 2021, GATEWAY announced to have concluded an agreement on the sale of the shares in Development Partner AG, including its subsidiaries, as well as in the three project development companies in Berlin (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH und Storkower Straße 142–146 PE GmbH). Therefore, these companies were classified as discontinued operations in the half-year financial report. Accordingly, based on the knowledge at that date, the entire Commercial Properties Development segment as well as the Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH, which was previously allocated to the Residential Properties Development segment, were discontinued. As a result of an approval to be granted by the co-shareholder pursuant to the Articles of Association, which ultimately, however, was not granted, three commercial properties development projects remain part of GATEWAY's portfolio and are planned to be sold over time. Accordingly, the respective companies continue to be reported under the Commercial Properties Development segment, and all items were reclassified from the presentation for the half-year financial report back to the regular line items of the continuing operation.

In the Residential Properties Development segment, four development projects were acquired in the first half in Cologne, Dresden, Hamburg and Chemnitz. This is also the reason for the increase of segment assets to €683,906 thousand and of segment liabilities to €609,561 thousand.

Segment disclosures were presented on a like-for-like basis for the prior period.

The individual segments are described in the following:

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

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

- **Commercial Properties Development:** The development activities for commercial properties are combined in the Commercial Properties Development segment. The objective of this segment is to develop attractive and high-quality office buildings with modern architecture and flexible usage formats. Due to the sale of the shares held in Development Partner AG, the activities in this segment are now concentrated on Berlin. Upon the planned sale of the properties classified as inventories, the corresponding activities in the Commercial Properties Development segment will be discontinued in line with the amended business strategy.

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

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

Revenue from third parties (external revenue) is generated exclusively in Germany; 77.7% of this revenue is attributable to the Standing Asset segment and 22.0% to the Residential Properties Development segment. Revenue from third parties in the Standing Assets segment mainly refers to rental revenue and the revenue from operating costs from investment properties held as financial investments and held for sale. Around €2.4 million of revenue from third parties in the Residential Properties Development segment is attributable to the resale of properties of SKE Immo Sulzbach GmbH (S.à r.l.).

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

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

In the previous year, the profit and loss shares in undertakings accounted for using the equity method were allocated to the relevant segment in accordance with their business activity. Interest income and interest expenses are allocated according to the associated liabilities or assets.

Segment assets include all the Group's assets, and segment liabilities include all the Group's provisions and liabilities. Investments accounted for using the equity method are reported separately here. Segment investments (additions to non-current assets) shows all investments in non-current assets as well as additions from fair value changes in investment properties (we refer to Note 6.3).

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

6.1 INTANGIBLE ASSETS

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

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

—

COST

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2020	**39,881**	**33**	**0**	**39,914**
Additions	0	336	268	604
Disposals	0	0	0	0
Balance as of 12/31/2020	**39,881**	**369**	**268**	**40,518**
Additions	0	3	0	3
Disposals	0	15	0	15
Disposals arising from changes to the scope of consolidation	23,968	171	148	24,287
Balance as of 12/31/2021	**15,913**	**186**	**120**	**16,219**

—

AMORTIZATION

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2020	**0**	**23**	**0**	**23**
Additions	0	43	23	66
Disposals	0	0	0	0
Balance as of 12/31/2020	**0**	**66**	**23**	**89**
Additions	0	57	24	81
Disposals	0	0	0	0
Disposals arising from changes to the scope of consolidation	0	66	3	69
Balance as of 12/31/2021	**0**	**57**	**44**	**101**

—

CARRYING AMOUNTS

in € thousand	Goodwill	Other intangible assets	Internally generated other intangible assets	Total
Balance as of 01/01/2020	**39,881**	**10**	**0**	**39,891**
Balance as of 12/31/2020	**39,881**	**303**	**245**	**40,429**
Balance as of 12/31/2021	**15,913**	**129**	**76**	**16,118**

As part of the disposal of Development Partner AG and its subsidiaries, which reflected the material part of the Commercial Properties Development segment (we refer to Note 5.), as well as based on the intention to also sell the remaining projects in this segment, the attributable goodwill in the amount of €23,968 thousand was deconsolidated as the Group no longer benefits from the synergy effects in connection with the development of commercial properties. The remaining portion of the goodwill that arose as part of the reverse acquisition in 2018 breaks down as follows, unchanged from the previous year:

- €6,124 thousand are allocated to the group of CGUs "Standing Assets";
- €9,789 thousand are allocated to the group of CGUs "Residential Properties Development".

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

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

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

6.2 PROPERTY, PLANT AND EQUIPMENT

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

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

—

COST

in € thousand	Operating facilities	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2020	**28**	**222**	**2,251**	**1,002**	**3,503**
Additions	0	193	1,444	136	1,773
Disposals	0	40	0	1	41
Balance as of 12/31/2020	**28**	**375**	**3,695**	**1,137**	**5,235**
Additions	0	0	342	140	482
Disposals	0	0	414	26	440
Disposals arising from changes to the scope of consolidation	0	359	2,245	876	3,480
Balance as of 12/31/2021	**28**	**16**	**1,378**	**375**	**1,797**

—

DEPRECIATION AND IMPAIRMENTS

in € thousand	Operating facilities	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2020	**13**	**53**	**331**	**588**	**985**
Additions	0	100	478	211	789
Disposals	0	40	0	0	40
Balance as of 12/31/2020	**13**	**113**	**809**	**799**	**1,734**
Additions	0	16	665	98	779
Disposals	0	0	20	8	28
Disposals arising from changes to the scope of consolidation	0	120	642	679	1,441
Balance as of 12/31/2021	**13**	**9**	**812**	**210**	**1,044**

—

CARRYING AMOUNTS

in € thousand	Operating facilities	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2020	**15**	**169**	**1,920**	**414**	**2,518**
Balance as of 12/31/2020	**15**	**263**	**2,885**	**338**	**3,501**
Balance as of 12/31/2021	**15**	**7**	**566**	**165**	**753**

Additions to property, plant and equipment in the reporting period 2021 largely result from the recognition of the right-of-use assets from the newly concluded rental contracts for buildings as well as agreements on IT equipment.

The disposals of property, plant and equipment in the 2021 reporting period are primarily attributable to office floor space that can no longer be classified as owner-occupied property following the sale of a subsidiary.

As of December 31, 2021, property, plant and equipment includes right-of-use assets of €193 thousand (previous year: €2,398 thousand) in connection with leased objects that do not meet the definition of investment properties. A detailed list of the right-of-use assets is included in Note 6.21.

6.3 INVESTMENT PROPERTIES

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

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

In the reporting period, measurement gains of €69,088 thousand (previous year: €129,109 thousand) were recorded in the statement of comprehensive income in the item "Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale". Of that amount, measurement gains of €62,407 thousand (previous year: €114,836 thousand) were attributable to investment properties. These measurement gains entirely concern properties whose fair value was determined based on Level 3.

An amount of €6,681 thousand (previous year: €14,273 thousand) of the fair value changes is attributable to non-current assets held for sale. We refer to Note 6.8.

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

—

in € thousand	
Balance as of 01/01/2020	**8,270**
Reclassification from IAS 40 to owner-occupied properties	–827
Reclassification of inventories to IAS 40	62,441
Subsequent production costs	200
Change in market value	114,836
Balance as of 12/31/2020	**184,920**
Reclassification of inventories to IAS 40	30,476
Subsequent production costs	8,657
Change in market value	62,407
Balance as of 12/31/2021	**286,460**

Of the investment properties, properties with a total carrying amount of €286,460 thousand (previous year: €184,920 thousand) were secured by mortgages as of the reporting date.

The second of a total of three construction phases of the project "Quartiere am Blüherpark" was purchased by way of the share purchase agreement dated February 17, 2021, initially with the goal to demolish the existing building and to sell this construction phase to institutional investors once new residential buildings have been constructed. As a result of the special significance of the entire project and the benefit of long-term and stable cash flows, the Management Board decided to revitalize the property and to hold it with a long-term perspective for capital appreciation and to earn rentals in the future. Initial discussions with potential tenants have already been started. Moreover, detailed planning measures were started for this construction phase; accordingly, it can be assumed that a change in use in accordance with IAS 40.57 has occurred.

Accordingly, the second construction phase of the "Quartiere am Blüherpark" project was transferred to the Company's own portfolio and measured at fair value through profit or loss in accordance with IAS 40.

Moreover, the additions refer to the property of Duisburg EKZ 20 Objekt GmbH which is included in the consolidated financial statements by way of full consolidation as a result of the additional share purchase (we refer to Note 2.3. C.). As a result of the intention to hold this property over a long term to earn rentals, it was classified as an investment property in accordance with IAS 40 and measured at fair value.

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

—

in € thousand	2021	2020
Rental revenues	4,956	2,854
Revenues from operating costs	2,904	693
Revenue from cost charges to others, building cost subsidies and property management	106	0
Administration costs (operating costs, maintenance, administration, etc.)	–3,836	–1,910
	4,130	**1,637**
Thereof fair value Level 3	4,130	1,637
Thereof fair value Level 2	0	0

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

In accordance with International Valuation Standards, the fair values of investment properties are determined on the basis of the residual value method or the discounted cash flow procedure. Expected future rental surpluses from a property are discounted to present value at the valuation date by applying a market-appropriate, property-specific discount rate. Whereas net rents are usually applied in determining the rental revenues, operating expenses are incurred particularly from the management costs, which the owner is obligated to pay.

The table below shows the fair values of investment properties as well as the principal assumptions applied for purposes of the above-mentioned valuation technique:

—

						2021
Property	**Blüherpark BA2 Dresden**		**August Bebel Platz 20 Duisburg**	**Lilienthalstr. 5–9 Hallbergmoos**	**Rudolf-Diesel-Straße 5, 7 Eschborn**	**Berliner Allee 53–65 Augsburg**
Type	**Refur-bishment Office**	**Parking**	**Standing asset Shopping center**	**Standing asset Hotel**	**Standing asset Office**	**Development Commercial/ residential**
Rented space (usable area) in sqm	37,025	5,028	11,423	8,279	8,005	144,104
Vacant space in sqm	73	5,028	489	0	2,428	144,104
Initial vacancy rate in % (based on total space)	0.2	100.0	4.3	0.0	30.3	100.0
Achievable net basic rent (market rent) p.a. in € thousand (parking space included)	*6,664*	*n/a*	*859*	*1,291*	*938*	*26,424*
Achievable net basic rent (market rent) per sqm in €	15.0	n/a	6.27	12.99	9.76	13.68
Actually achieved net basic rent (contract rent) p.a. in € thousand (parking space included)	*1.076*	*n/a*	*830*	*1,291*	*649*	*n/a*
Actually achieved net basic rent (contract rent) per sqm in €	2.43	n/a	6.33	12.99	9.69	n/a
Fair value in € thousand	69,500	6,300	10,600	23,700	10,800	166,100
Fair value per sqm of rented space in €	1,877	1,253	928	2,863	1,349	n/a
Fair value per sqm of land area in €	3,326	1,253	1,024	3,174	2,077	1,379
Multiplier on market rent (market value: achievable net basic rent)	10.4	n/a	12.3	18.4	11.5	n/a
Multiplier on contract rent (market value: contractual net basic rent)	64.5	n/a	12.8	18.4	16.6	n/a
Valuation parameters:						
Average maintenance costs p.a. in €/sqm	8.50	n/a	5.50	7.00	8.42	7.01
Administrative expenses (in % of achievable rent)	2.0	n/a	1.0	1.5	0.0	1.5
Operating costs not chargeable (in % of achievable rent)	7.2	n/a	11.4	7.1	7.7	6.3
Discount rate in %	4.10	n/a	6.25	6.10	6.75	n/a
Capitalization interest rates in %	3.60	n/a	5.75	5.10	6.25	2.7
Multiplier in case of resale after ten years	27.8	n/a	17.4	19.6	16.0	28.8
Incidental acquisition costs upon resale in %	4.75	n/a	7.75	4.75	7.25	3.65
Land area in sqm	20,897	6,285	10,356	7,466	5,199	120,472
Net sales value at exit in € thousand	n/a	n/a	n/a	n/a	n/a	760,755
Cost in € thousand	116,317		n/a	n/a	n/a	525,082

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2020

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

The determination of the fair value was generally based on Level 3 input factors (see also Note 3.3), i.e., factors not based on observable market data (unobservable input factors). For properties that are held for sale and for which a binding purchase agreement is already on hand as of the reporting date, the agreed sale prices are applied. In such cases, the fair value is calculated on the basis of Level 2 input factors that can be observed for the asset directly (i.e. as the price).

The selection of the valuation method depends on the property's state of development as of the valuation date: In the case of undeveloped sites without building permit or an approved project-specific land use plan (unless the planned real estate fits in the adjacent development in terms of the type and extent of building use in accordance with Section 34 of the German Construction Act (Baugesetzbuch; BauGB)), the sales comparison approach (Vergleichswertverfahren) with reference to the land value (Bodenwert) is used. In this context, the reference land value and/or, if available, comparable transactions from the committee of appraisers represent the data basis. These parameters are then adjusted, taking into account the characteristics of the plot of land, to establish a like-for-like basis. If there are plans to change the use of plots of land from commercial to residential, the currently possible use often does not represent an actual measure. Therefore, the comparable transactions, if available, are the best indicator for the fair value for financial reporting.

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

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

Financing costs are determined taking into account the weighted average cost of capital by using the average capital employed in the amount of 50 percent of construction costs, including ancillary construction costs. The assumption used in relation to marketing costs is that they are not incurred prior to the end of the construction period. The developer's profit is determined by reference to the sale proceeds (excluding incidental acquisition costs), which, in turn, are calculated based on estimated rental income. The subtotal, after taking into account the positions mentioned above, is called

"Residual I". The financing costs of the plot of land are then deducted from "Residual I", with the financing costs being calculated using the compound interest rate for the term from the valuation date until the estimated date of sale based on the weighted average cost of capital. The final total, "Residual II", is then determined by deducting incidental acquisition costs.

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

The applied DCF method is a multi-period model. Future increases in revenue and costs are explicitly represented in the ten-year detailed planning period. Deviations between the rental revenues actually earned (contract rent) and the estimated sustainably achievable rental revenues (market rent) as well as the change in the vacancy rate were determined by taking the rental location and the special features of the individual property into account. Costs for new rentals (tenant build-outs, rental commissions, and costs for rent-free periods) were taken into account using historical data. In addition, all costs to be paid by the owner were deducted (maintenance and management costs, vacancy costs, etc.).

The net income for the detailed planning period determined in this way (the assumed rental period) was measured at the valuation date, which is identical with the reporting date. Following the detailed planning period, a resale value was determined based on a multiplier related to the sustainably achievable annual net income. Estimated costs of sale were deducted from the calculated gross resale value, and the resulting net realizable value was discounted to the valuation date. The present value of the net income of the detailed planning period plus the present value of the net realizable value equals the market value of the individual property. The assumptions applied in determining the value of properties are made by the independent appraiser on the basis of his professional experience and are subject to uncertainty.

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

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FAIR VALUES

in € million	**2021**	**2020**
Office	10.8*	10.8
Shopping center	10.6	0.0
Residential/commercial development	166.1	151.5
Office refurbishment	75.8	0.0
Hotel	23.7	23.7
Total	**287.0**	**186.0**

* The recognized fair value in the amount of €540 thousand for the partially owner-occupied portfolio property of the office segment deviates from the total fair value as this portion was allocated to property, plant and equipment due to its owner-occupied character.

As part of the sensitivity analysis, key non-observable input factors were varied. This was done for the discount rate and the market rent. This had the following impact on the fair values for the determined property classes.

—

SENSITIVITY ANALYSIS

	12/31/2021					
	Construction costs, excluding ancillary construction costs		Discount rate/capitalization rate (for residential/commercial)		Market rent	
in € million	5.0%	–5.0%	–0.25%	0.25%	5.0%	–5.0%
Office	n/a	n/a	0.5	–0.5	0.5	–0.6
Shopping center	n/a	n/a	0.6	–0.5	0.5	–0.6
Residential/commercial development	–17.1	17.1	37.6	–34.0	29.3	–29.3
Office refurbishment	n/a	n/a	12.8	–11.2	8.4	–8.5
Hotel	n/a	n/a	1.2	–1.1	0.7	–0.8
Total	**–17.1**	**17.1**	**52.7**	**–47.3**	**39.4**	**–39.8**

—

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

6.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

—

FINANCIAL INVESTMENTS

in € thousand	Note	12/31/2021	12/31/2020
Interests in associates	(A)	11	1,064
Interests in joint ventures	(B)	0	6,066
Balance as of 12/31		**11**	**7,130**

A. ASSOCIATES

The 20% investment in Projektentwicklung **Venloer Straße** in Köln S.à r.l., Berlin, was transferred and deconsolidated in the first quarter of 2021 in the context of the disposal of the Commercial Properties Development business area to the acquirers of the shares in Development Partner AG, Duesseldorf, effective March 16, 2021.

In addition, Projektentwicklung Venloer Straße in Köln Beteiligungsgesellschaft mbH, Duesseldorf, a wholly-owned subsidiary of Development Partner AG, Duesseldorf, and also disposed and deconsolidated as of March 16, 2021 received a dividend of €1.1 million (previous year: €3.6 million) on March 15, 2021.

In the past, the Group also held the interest in an associate that is immaterial in itself. The carrying amounts and the Group's share of the profit of this company are presented in the table below.

—

in € thousand	12/31/2021	12/31/2020
Carrying amount of financial investments accounted for using the equity method	11	11
Share of profit	0	0

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

B. JOINT VENTURES

The equity investments (reported as joint ventures) in the companies Projektentwicklung **Abraham-Lincoln-Straße** in Wiesbaden Beteiligungsgesellschaft mbH & Co. KG, Duesseldorf, Projektentwicklung am **Barmbeker Bahnhof** in Hamburg Beteiligungsgesellschaft mbH & Co. KG, Duesseldorf, Immobiliengesellschaft **Hutfiltern** in Braunschweig GmbH, Duesseldorf, and Projektentwicklung **Weender Straße** in Göttingen GmbH & Co. KG, Duesseldorf, were transferred and deconsolidated in the first quarter of 2021 as part of the disposal of the Commercial Properties Development business area to the acquirers of the shares in Development Partner AG, Duesseldorf, effective March 16, 2021.

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

—

				12/31/2020
Name	**PE Venloer Straße in Köln S.à r.l.**	**PE Abraham-Lincoln-Straße in Wiesbaden KG**	**PE Am Barmbeker Bahnhof in Hamburg Beteiligungs-gesellschaft KG**	**IG Hutfiltern in Braunschweig GmbH**
Type of relationship	Associate	Joint venture	Joint venture	Joint venture
Head office	Luxembourg	Wiesbaden	Hamburg	Braunschweig
Share of equity held by the company	20.00%	60.00%	75.00%	60.00%
Accounted for using the equity method	Yes	Yes	Yes	Yes
Type of activity of the company	Project development	Project development investment company	Project development investment company	Project development
in € thousand				
Dividends received	3,647	0	1,811	0
Non-current assets	0	0	3,297	0
Current assets	2,451	6,973	5,279	32.194
thereof cash and cash equivalents	419	6,306	5,279	67
Non-current liabilities	0	6,213	5,001	16.720
thereof financial liabilities	0	6,213	5,001	16.720
Current liabilities	102	513	319	8,543
thereof financial liabilities	0	0	194	7,773
Net assets (100%)	**2,349**	**247**	**3,256**	**6,931**
Group's share of net assets	**470**	**148**	**2,442**	**4,159**
Disproportionate funding of capital reserves	0	67	242	–1,151
Impairment reversal of loss included as part of the net investment	0	0	0	0
Incongruent distribution of results	594	0	–92	0
Unrecognized share in losses	0	0	0	0
Other reconciliation effects	0	0	22	191
Carrying amount of equity held in the company	**1,064**	**215**	**2,614**	**3,198**
Revenues	0	12	4,211	140
Total comprehensive income	–254	–71	4,779	–672
Depreciation	0	0	0	0
Finance income	0	0	1,126	1
Finance costs	–16	–37	–367	–1,169
Income tax expense or income	–50	24	–178	21

6.5 INVENTORIES

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

The Group's inventories as of the reporting date consisted of the capitalized construction costs (including construction period interest) of inventory properties, which were measured entirely at amortized cost in accordance with Note 2.11. Construction period interest of €31,110 thousand (previous year: €19,645 thousand) was capitalized as the cost of inventories in the reporting period.

The total carrying amount of all inventory properties as of December 31, 2021 was €747,189 thousand (previous year: €666,985 thousand). The inventory properties mainly comprise Projektentwicklung Borussia Köln Deutz Quartiere, Cologne (€360,836 thousand), Projektentwicklung Borussia Dresden Quartiere am Blüherpark, Dresden (€87,072 thousand), Revaler Straße 32 PE GmbH, Berlin (€78,545 thousand), Storkower Straße 142–146 PE GmbH, Berlin (€70,965 thousand), and SKE Immo Sulzbach GmbH (S.à r.l.), Bereldange, Luxembourg (€54,730 thousand).

In the context of the disposal of the Commercial Properties Development business area, all companies of this business area, except Revaler Straße 32 PE GmbH, Berlin, Storkower Straße 140 PE GmbH, Berlin, and Storkower Straße 142–146 PE GmbH, were deconsolidated.

The following projects are primarily affected by the desinvestment:

Immobiliengesellschaft am Kennedydamm in Düsseldorf mbH
Projektentwicklung Breite Gasse in Nürnberg GmbH
Projektentwicklung Rudolfplatz in Köln GmbH
Projektentwicklung Brotstraße in Trier GmbH
Projektentwicklung Uerdinger Straße in Düsseldorf Office GmbH
Projektentwicklung Uerdinger Straße in Düsseldorf Residential GmbH
PE Michaelkirchstraße
Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH
Projektentwicklung Technologiecampus Großraum Stuttgart GmbH
Projektentwicklung Mediaspree in Berlin GmbH
Projektentwicklung Campus Park München
PE Gewerbepark Neufahrn

The effects on the statement of financial position mainly refer to the disposal of inventories in the amount of €445.7 million, which primarily result from Projektentwicklung Breite Gasse in Nürnberg GmbH (€93,849 thousand), Immobiliengesellschaft am Kennedydamm in Düsseldorf mbH (€83,249 thousand) and Projektentwicklung Mediaspree in Berlin GmbH (€74,961 thousand).

Additions comprise the residential project developments Borussia Dresden Quartiere am Blüherpark and Borussia Köln Deutz Quartiere, the project development in Chemnitz of Gateway Achtzehnte GmbH as well as a residential site of Maize Zizania Property GmbH in Hamburg.

In connection with the second of a total of three construction phases of Projektentwicklung Borussia Dresden Quartiere am Blüherpark, the Management Board decided to hold the property in the long term once the revitalization measures are finished given the special significance for the entire project and the benefit of long-term and stable cash flows.

In this context, following the change in use that occurred in the year under review, the second construction phase of Projektentwicklung Quartiere am Blüherpark with a carrying amount of €13,303 thousand in accordance with IAS 40.57 was transferred to the Company's own portfolio and measured at fair value through profit or loss pursuant to IAS 40. Please also refer to Note 6.3.

—

in € thousand	12/31/2021	12/31/2020
Projektentwicklung Borussia Köln Deutz Quartiere	360,836	0
Projektentwicklung Borussia Dresden Quartiere am Blüherpark	87,072	0
Revaler Straße 32 PE GmbH	78,545	73,694
Storkower Straße 142–146 PE GmbH	70,965	47,991
SKE Immo Sulzbach GmbH (S.à r.l.)	54,730	56,073
Beteiligungsgesellschaft Berlin Heinersdorf GmbH	35,329	33,475
Maize Zizania Property GmbH	35,151	0
Storkower 140 PE GmbH	18,874	16,981
Gateway Achtzehnte GmbH	5,687	0
Immobiliengesellschaft am Kennedydamm in Düsseldorf mbH	0	82,045
Projektentwicklung Breite Gasse in Nürnberg GmbH	0	93,680
Projektentwicklung Rudolfplatz in Köln GmbH	0	2,635
Projektentwicklung Brotstraße in Trier GmbH	0	4,240
Projektentwicklung Uerdinger Straße in Düsseldorf Residential GmbH	0	5,129
Projektentwicklung Michaelkirchstraße in Berlin GmbH	0	61,355
Projektentwicklung Neufahrn	0	25,888
Projektentwicklung Technologiecampus Großraum Stuttgart GmbH	0	21,914
Projektentwicklung Mediaspree in Berlin GmbH	0	74,687
Projektentwicklung Campus Park München	0	67,166
Soho Mannheim	0	32
Total	**747,189**	**666,985**

Of the inventories, properties with a total carrying amount of €657,308 thousand (previous year: €604,005 thousand) were secured by mortgages as of the reporting date.

6.6 TRADE RECEIVABLES AND OTHER ASSETS

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

The trade receivables of €665 thousand (previous year: €1,431 thousand) primarily result from current rent receivables. The previous year also included receivables under management services contracts due from companies accounted for using the equity method. Separate loss allowance accounts are not maintained at the present time.

Other current assets mainly comprised the following items:

—

OTHER ASSETS

in € thousand	12/31/2021	12/31/2020
Other financial assets		
Loans – at amortized cost	140,555	12,501
thereof to related parties	95,652	4,320
Other receivables – at amortized cost	5,504	15,160
thereof to related parties	1,267	9,124
Equity investments – measured at FVtPL	2,607	3,043
Embedded derivatives	959	4,096
Contract assets	67	107
Security deposits	0	2,435
	149,692	**37,342**
thereof non-current	24,541	8,817
thereof current	125,151	28,525
Other non-financial assets		
Other assets	67,483	52,256
thereof to related parties	0	5
Prepaid expenses	2,428	2,651
Tenant incentives	2,295	1,903
Value added tax credits	247	373
Operating costs*	0	105
	72,453	**57,288**
thereof non-current	2,374	2,562
thereof current	70,079	54,726

* This item is reported as a contract asset in the fiscal year due to the revenue recognition over time in accordance with IFRS 15.

The significant increase in other financial assets by €112,350 thousand compared to the prior year is mainly attributable to the disposal of the Commercial Properties Development business area in the first quarter. Receivables remaining within the Group amount to €48,025 thousand. Furthermore, additional loans were granted in the fiscal year; the associated receivables amount to €29,732 thousand as of the reporting date. Payments in the amount of €88,265 thousand of the originally outstanding remaining receivables have already been paid.

Other non-financial assets in the amount of €67,024 thousand (previous year: €51,288 thousand) refer to the entitlement to transfer real property under a land purchase agreement that has been certificated by a notary public, but has not yet been fully executed. Upon further execution of the agreement, the item has to be transferred to the corresponding item in the statement of financial position. The year-on-year increase was mainly due to the purchase of the remaining 50% of the shares in So SoHo Sullivan GmbH & Co. KG for €7,050 thousand as well as interest eligible to be capitalized in the amount of €6,563 thousand.

6.7 CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents mainly consisted of overnight bank deposits and amounted to €16,457 thousand as of December 31, 2021 (previous year: €50,549 thousand).

As in the previous period, cash and cash equivalents were not subject to any restrictions, but are partially used as collateral for existing liabilities to banks (see Note 3.9.)

6.8 NON-CURRENT ASSETS HELD FOR SALE

Please refer to Note 2.21 for information on the accounting methods.

The item “Non-current assets held for sale” includes the property of Gateway Fünfte GmbH which are intended to be disposed and to be transferred to the buyer, respectively, within the next year. In the previous year, this item also included the property of Gateway Vierte GmbH. On May 28, 2021, upon payment of the last purchase price installment, the purchase agreement was completed and the property of Gateway Vierte GmbH was recognized as a disposal in the amount of €15,750 thousand.

The sale of the property of Gateway Fünfte GmbH in Leipzig is expected to occur within 12 months. In contrast to the assumptions made in the prior year, the disposal was delayed for reasons beyond the Company's control. This property is still in the process of being actively marketed, which looks very promising due to the current actual negotiations. As of the reporting date, this property had a fair value of €43,800 thousand (previous year: €38,400 thousand). In the past fiscal year, subsequent costs of €119 thousand (previous year: €1,127 thousand) were recognized for the properties held for sale. Further, the fair value measurement resulted in an adjustment of €5,281 thousand (previous year: €14,273 thousand) recognized through profit or loss.

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

In the reporting period, measurement gains of €67,688 thousand (previous year: €129,109 thousand) were recorded in the statement of comprehensive income in the item "Fair value changes in investment properties and valuation of properties held as inventory and in non-current assets held for sale". Of that amount, measurement gains of €5,281 thousand (previous year: €14,273 thousand) were attributable to non-current assets held for sale.

As in the previous year, these measurement gains entirely concern the property of Gateway Fünfte GmbH whose fair value was determined based on Level 3 in the fiscal year under review.

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

—

in € thousand	
Balance as of 01/01/2020	**38,750**
Subsequent costs	1,127
Changes in market value	14,273
Balance as of 12/31/2020	**54,150**
Subsequent costs	119
Changes in market value	5,281
Disposal through sale	–15,750
Balance as of 12/31/2021	**43,800**
Thereof fair value Level 2	**0**
Thereof fair value Level 3	**43,800**

Of the investment properties, properties with a total carrying amount of €43,800 thousand (previous year: €38,400 thousand) were secured by mortgages as of the reporting date.

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

—

in € thousand	2021	2020
Rental revenues	897	884
Revenues from operating costs	253	214
Revenues from cost charges to others and building cost subsidies	193	190
Administration costs (operating costs, maintenance, administration, etc.)	–787	–1,125
	556	**163**
Thereof fair value Level 3	556	677
Thereof fair value Level 2	0	–513

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

In accordance with International Valuation Standards, the fair values of investment properties are determined on the basis of the discounted cash flow procedure. Expected future rental surpluses from a property are discounted to present value at the valuation date by applying a market-appropriate, property-specific discount rate. Whereas net rents are usually applied in determining the rental revenues, operating expenses are incurred particularly from the management costs, which the owner is obligated to pay.

The table below shows the fair values of held-for-sale investment properties for which there was no sales contract as well as the principal assumptions applied for purposes of the above-mentioned valuation technique:

—

	2021	2020
Property	**Zschochersche Straße 69 04229 Leipzig**	
Type	**Standing asset**	
	Office/residential	
Rented space (usable area) in sqm	11,256	11,256
Vacant space in sqm	4,435	4,435
Initial vacancy rate in % (based on total space)	39.4	39.4
Achievable net basic rent (market rent) p.a. in € thousand (parking space included)	*1,926*	*1,926*
Achievable net basic rent (market rent) per sqm in €	14.26	14.26
Actually achieved net basic rent (contract rent) p.a. in € thousand (parking space included)	*916*	*882*
Actually achieved net basic rent (contract rent) per sqm in €	11.19	10.77
Fair value in € thousand	43,800	38,400
Fair value per sqm of rented space in €	3,891	3,412
Fair value per sqm of land area in €	n/a	n/a
Multiplier on market rent (market value: achievable net basic rent)	22.8	19.9
Multiplier on contract rent (market value: contractual net basic rent)	47.8	43.5
Valuation parameters:		
Average maintenance costs p.a. in €/sqm	9.06	9.75
Administrative expenses (in % of achievable rent)	1.5	1.5
Operating costs not chargeable (in % of achievable rent)	7.5	7.5
Discount rate in %	4.85	5.25
Capitalization interest rates in %	3.85	4.25
Multiplier in case of resale after ten years*	26.0	23.5
Incidental acquisition costs upon resale in %	4.75	4.75

*Multiplier not relevant due to high vacancy rate

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

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

—

FAIR VALUES

in € million	2021	2020
Office/residential	43.8	38.4
Total	**43.8**	**38.4**

As part of the sensitivity analysis, key non-observable input factors were varied. This was done for the discount rate and the market rent. This had the following impact on the fair values for the determined property classes.

—

SENSITIVITY ANALYSIS

	12/31/2021			
	Discount rate		Market rent	
in € million	–0.25%	0.25%	5.0%	–5.0%
Office/ residential	3.2	–2.7	2.0	–2.0
Total	**3.2**	**–2.7**	**2.0**	**–2.0**

—

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

In the fiscal year 2021, the Commercial Properties Development business area, consisting of the subgroup Development Partner AG, meets the criteria under IFRS 5 for a classification as a discontinued operation. In this context, we refer to Note 2.23.

6.9 EQUITY

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

As of December 31, 2021, the **share capital** remains unchanged at €186,764,040 (previous year: €186,764,040) and is divided into 186,764,040 (previous year: 186,764,040) no-par-value bearer shares with a notional value in the share capital of €1 per share. The following table shows the development of the number of shares outstanding:

—

NUMBER OF SHARES

	2021	2020
Shares outstanding as of January 01	186,764,040	186,764,040
Issue of new shares in connection with a business combination	0	0
Issue of new shares against cash payment	0	0
Balance as of December 31	186,764,040	186,764,040

The Management Board was authorized at the Annual General Meeting of August 22, 2018, to increase the Company's share capital, subject to the consent of the Supervisory Board, by up to 84,892,745 new no-par-value bearer shares of GATEWAY against payment in cash and/or in kind on one or more occasions by up to €84,892,745 in the time until August 21, 2023 (Authorized Capital 2018/I). In 2019, the Management Board made partial use of this authorization. Accordingly, Authorized Capital 2018/I amounts to €67,914,196.

The Management Board is also authorized, with the approval of the Supervisory Board, to increase the share capital of the Company until August 20, 2024, once or several times, by up to a maximum total amount of €25,467,824.00 through the issue of up to 25,467,824 new no-par value bearer shares of the Company against contributions in cash and/or in kind (Authorized Capital 2019/i).

In addition, the share capital is conditionally increased by up to €93,382,020.00 through the issue of up to 93,382,020 new no-par value bearer shares with a proportionate amount of the share capital of €1.00 each (Conditional Capital 2019/i).

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

The purpose of the **capital reserve** is to recognize share premiums that are paid during the issue of shares exceeding the nominal amount of subscribed capital. The capital reserve is negative in particular due to the adjustment of Development Partner's subscribed capital to the subscribed capital of GATEWAY as the legal acquirer as a result of the reverse acquisition in 2018. The capital increase executed in the fiscal year 2019 year and the associated share premium received led to a decrease of the negative balance of the capital reserve.

By way of a Management Board resolution dated March 12, 2021, the unappropriated reserve of Gateway Real Estate AG in the amount of €366,327 thousand was reversed in accordance with Section 270 (1) HGB in fiscal year 2020. The amount withdrawn was transferred to the distributable profit. Accordingly, the negative balance of the capital reserve increased in the previous year.

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

—

in € thousand	2021	2020
Opening balance as of 01/01	**–389,131**	**–22,804**
Proceeds from the issue of shares	0	0
Costs for the issue of shares	0	0
Reversal of capital reserve	0	–366,327
Other	0	0
Closing balance as of 12/31	**–389,131**	**–389,131**

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

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

—

in € thousand	2021	2020
€0.00 per qualifying share (previous year: €0.30)	0	56,029

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

—

in € thousand	2021	2020
€0.00 per qualifying share (previous year: €0.00)	0	0

The increase in **non-controlling interests** by €2,497 thousand in 2021 is primarily attributable to profits attributable to non-controlling interests as well as to offsetting effects from changes in scope of consolidation as well as adjustments to shareholding ratios (€1,290 thousand).

6.10 OTHER PROVISIONS

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

Other provisions are composed of the following:

—

in € thousand	12/31/2021	12/31/2020
Non-current provisions		
Other provisions (remaining term > 1 year)	0	0
	0	**0**
Current provisions		
Other provisions (remaining term < 1 year)	0	452
	0	**452**

In the previous year, other current provisions primarily concerned provisions for profit participation rights of banks with respect to project developments.

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

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

6.11 FINANCIAL LIABILITIES

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

Financial liabilities break down as follows:

—

in € thousand	12/31/2021	12/31/2020
Non-current financial liabilities		
Liabilities to banks	18,150	73,737
Liabilities to third parties	98,815	72,558
Liabilities to third parties from bonds	69,693	47
	186,658	**146,342**
Current financial liabilities		
Liabilities to banks	219,605	148,274
Liabilities to related parties	25,020	49,250
Liabilities to third parties	86,451	124,037
Liabilities to related parties from bonds	0	38,194
Liabilities to third parties from bonds	169,952	99,897
Total	**501,028**	**459,652**

The terms of the non-current financial liabilities in the amount of €186,658 thousand (previous year: €146,342 thousand) are longer than one year. They are collateralized in the amount of €88,237 thousand (previous year: €143,889 thousand) for the benefit of the lender by way of land charges on the properties underlying the financing.

The current financial liabilities have a remaining term of up to 12 months. They primarily include the current portion of the liabilities in connection with the acquisition of properties or the financing of the development projects. Current financial liabilities of €501,028 thousand (previous year: €459,652 thousand) are collateralized for the benefit of the lenders by way of land charges on the properties underlying the financing in the amount of €459,874 thousand (previous year: €268,522 thousand).

The majority of the loans are at fixed interest rates. Loans with a remaining value of €219,063 thousand as of December 31, 2021 (previous year: €202,074 thousand) are subject to a variable interest rate based on EURIBOR and EONIA. The interest rates in 2021 were between 1.54% and 20.0% for the loans from third parties, the majority of which is collateralized. We refer to Note 7.3 for details on the terms of the financial liabilities towards related companies.

There were no premiums and interest-free loans as of the reporting date. No payment delays or breaches of contract occurred with respect to financial liabilities in the reporting period. There were no financial liabilities denominated in foreign currencies as of the reporting date, and neither were there any interest rate swaps or other stand-alone derivative financial instruments as of the reporting date. We refer to Note 3.5 for information on the extent to which GATEWAY is exposed to interest rate, liquidity and financing risk.

6.12 TRADE PAYABLES AND OTHER PAYABLES

Please refer to Note 2.14 for information on the accounting methods. Trade payables amount to €162,565 thousand in the year under review (previous year: €68,649 thousand). They mainly refer to the purchase of the residential project developments Borussia Dresden Quartiere am Blüherpark and Borussia Köln Deutz Quartiere (€123,360 thousand).

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

—

OTHER FINANCIAL LIABILITIES

in € thousand	12/31/2021	12/31/2020
Liabilities, non-controlling interests	742	834
Lease liabilities	616	2,802
Security deposits received	164	82
Contract liabilities	53	4,491
Other	26,467	2,306
thereof to related parties	10,045	2
	28,042	**10,515**
thereof non-current	1,130	3,009
thereof current	26,912	7,506

Contract liabilities exclusively comprise operating costs not yet invoiced.

The "Other" item comprises liabilities from the reimbursement of the purchase price already received as well as a contractual penalty in the amount of €20,100 thousand to the buyers (in equal parts IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG) in connection with the failed disposal of the three commercial properties development projects in Berlin (Revaler Straße 32 PE GmbH, Storkower Straße 140 PE GmbH and Storkower Straße 142–146 PE GmbH) of the Commercial Properties Development business area. This item also includes a liability from the retention of the purchase price in the amount of €1,500 thousand of Augskor 2 GmbH (S.à r.l.) as well as a liability to Development Partner AG, Duesseldorf, from the still existing reimbursement claim towards the tax authorities in relation to capital gains taxes in the amount of €3,417 thousand.

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

—

OTHER NON-FINANCIAL LIABILITIES

in € thousand	12/31/2021	12/31/2020
Liabilities for personnel	511	2,136
VAT liabilities	205	49
Deferred income	155	234
Liabilities from other taxes	0	3,012
Advance payments received	0	11,757
Other	261	45
thereof to related parties	0	0
	1,132	**17,233**
thereof non-current	0	0
thereof current	1,132	17,233

The decrease of the item "Advance payments received" mainly results from advance payment in the previous year made by the buyer of the property of Gateway Vierte GmbH in Hamburg in the amount of €11,500 thousand. The remaining purchase price was received during the year under review, so that the passing of possession (benefits and obligations) was also completed.

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

6.13 DEFERRED TAXES

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

Deferred tax liabilities of €53,552 thousand (previous year: €47,836 thousand) and deferred tax assets of €12,202 thousand (previous year: €10,285 thousand) are presented in the statement of financial position at the reporting date.

DEFERRED TAX ASSETS

Deferred tax assets were recognized in respect of tax loss carryforwards and deductible temporary differences in the following items of the statement of financial position:

—

DEFERRED TAX ASSETS

in € thousand	2021	2020
Assets		
Inventories	**5,336**	**3,493**
Other financial assets	2,865	0
Other non-financial assets	52	258
Liabilities		
Non-current financial liabilities	9	0
Current financial liabilities	1,572	0
Other current financial liabilities	114	949
Other non-current financial liabilities	85	678
Trade payables	19	1,377
Other non-financial liabilities	0	412
Other provisions	0	31
Tax loss carryforwards	**3,993**	**8,823**
Sub-total of deferred tax assets	**14,045**	**16,021**
Netting with deferred tax liabilities	−1,843	−5,736
Total	**12,202**	**10,285**

No deferred tax assets were recognized in respect of temporary differences amounting to €1,101 thousand (previous year: €492 thousand) because it is not probable that a taxable profit against which the deductible temporary differences can be applied will be available in the future.

Corporate income tax loss carryforwards of €49,636 thousand (previous year: €39,877 thousand), local trade tax loss carryforwards of €40,228 thousand (previous year: €34,656 thousand) as well as the interest carryforwards in the amount of €0 thousand within the meaning of the interest cap pursuant to Section 4h of the German Income Tax Act (Einkommensteuergesetz, EStG) (previous year: €21,123 thousand) existed within the Group as of the reporting date. Interest carryforwards were deconsolidated in the year under review as part of the disposal of the Commercial Properties Development business area. No deferred tax assets were recognized in respect of corporate income tax loss carryforwards amounting to €32,823 thousand (previous year: €9,648 thousand), local trade tax loss carryforwards amounting to €30,775 thousand (previous year: €9,065 thousand) and the interest carryforward amounting to €0 thousand (previous year: €21,123 thousand) because it is not probable that a taxable profit against which the deductible temporary differences can be applied will be available in the future. The loss carryforwards can be carried forward without restriction, as a general rule.

DEFERRED TAX LIABILITIES

Deferred tax liabilities were recognized in respect of temporary differences in the following items of the statement of financial position:

—

DEFERRED TAX LIABILITIES

in € thousand	2021	2020
Assets		
Property, plant and equipment	175	962
Non-current assets	39,939	19,751
Other non-current financial assets	648	7,657
Inventories	2,495	9,507
Non-current assets held for sale	6,825	8,408
Current assets	306	2,649
Liabilities		
Other provisions	0	43
Non-current financial liabilities	1,589	203
Financial liabilities	3,375	4,392
Other liabilities	43	0
Sub-total of deferred tax liabilities	**55,395**	**53,572**
Netting with deferred tax assets	−1,843	−5,736
Total	**53,552**	**47,836**

The change in the total excess of deferred tax liabilities (€41,343 thousand) over the previous year (€37,551 thousand) in the amount of €3,792 thousand are recognized through profit or loss in the amount of €3,792 thousand.

The temporary differences between the IFRS carrying amounts of shares in subsidiaries and the tax base of these shares (so-called outside basis differences), which may result in deferred tax liabilities, amount to €13,645 thousand (previous year: €10,301 thousand) and do not represent a basis for the recognition of deferred taxes since these differences will not reverse in the foreseeable future.

6.14 REVENUE

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

The Group generated revenues of €22,380 thousand in the period from January 1 to December 31, 2021 (previous year. €55,518 thousand). GATEWAY mainly generates revenues from the sales of inventory properties, the rental of inventory properties and investment properties, and the provision of services. Operating cost settlements and building subsidies received are other income sources. Specifically, revenues break down as follows:

in € thousand	2021	2020
Rental revenues in accordance with IFRS 16		
Rental revenues from investment properties	4,956	2,854
Rental revenues on inventory properties	1,229	4,726
Rental revenues from IFRS 5 properties	897	884
Rental revenues from sub-letting	8	16
	7,090	**8,480**
Rental revenues in accordance with IFRS 15		
Revenues from the sale of inventory properties	11,226	43,899
Revenues from operating costs – investment properties	2,904	693
Revenues from services	443	1,117
Revenues from cost charges to others and building cost subsidies	296	190
Revenues from operating costs – IFRS 5 properties	253	214
Revenues from operating costs – inventory properties	168	925
	15,290	**47,038**
thereof over time	12,624	30,503
thereof at a point in time	2,666	16,535
Total	**22,380**	**55,518**

Of the overall revenues, €15,290 thousand (previous year: €47,038 thousand) fall under the scope of IFRS 15 and €7,090 thousand (previous year: €8,480 thousand) fall under the scope of IFRS 16. With respect to revenues under the scope of IFRS 15, with the exception of revenues from services, forward sales and operating costs not yet charged, revenue is recognized at a certain point in time. In contrast, revenues related to associates and joint ventures, are mainly recognized over time.

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

The significant decline of revenue from the sale of inventory properties results from the sale of the shareholdings of the Commercial Properties Development business area.

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

in € thousand	12/31/2021	12/31/2020
Receivables included in trade and other receivables	0	0
Receivables included in held-for-sale assets	0	0
Contract assets	959	4.096
Contract liabilities	53	4.491

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

The contract assets as of December 31, 2021 amount to €959 thousand (previous year: €4,096 thousand) and are reported in the current item "Other financial assets". We refer to Note 6.6.

Contract liabilities exclusively comprise operating costs not yet invoiced. In the previous year, contract liabilities largely referred to advance payments received from customers for satisfying the construction obligations in connection with Projektentwicklung Himmelgeister Straße in Düsseldorf I GmbH for which revenue is recognized over a particular time period.

Contract liabilities amount to €53 thousand as of December 31, 2021 (previous year: €4,491 thousand). The contract liabilities are reported in the current item "Other financial liabilities". We refer to Note 6.12.

The significant decline in contract assets and contract liabilities results from the disposal of the shareholdings of the Commercial Properties Development business area and the related deconsolidation of the project companies Rudolfplatz in Köln GmbH, Uerdinger Straße Office GmbH and Himmelgeister Straße in Düsseldorf I GmbH.

6.15 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

The changes in inventories of finished goods and work in progress relate to the capitalized production costs for the inventory properties, which include €31,214 thousand (previous year: €20,879 thousands) in capitalized interest on borrowed capital. The major changes in inventories arise from the companies Gateway Achtzehnte GmbH (€5,687 thousand), Revaler Straße 32 PE GmbH (€4,851 thousand) and Storkower Straße 142–146 PE GmbH (€25,221 thousand) as well as from the project developments Dresden Blüherpark Quartiere (€1,197 thousand) and Cologne Deutz (€26,977 thousand).

Overall, changes in inventories amount to €73,589 thousand (previous year: €144,926 thousand).

—

in € thousand	2021	2020
Increase in inventory due to purchase of properties, construction activity and capitalization of interest on borrowed capital	73,589	144,926
	73,589	**144,926**

The significant decline in inventories results primarily from the development projects Augskor 1–3 GmbH (€39,211 thousand), which were reclassified to investment properties already in the previous year, and from SKE Immo Sulzbach GmbH (S.à r.l.) (€51,073 thousand), all of which were purchased and capitalized in the previous year.

6.16 RAW MATERIALS AND CONSUMABLES USED

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

—

in € thousand	2021	2020
Land	10,326	100,146
Construction costs	29,497	27,833
Project development costs	8,681	26,234
Other ancillary construction costs	2,332	3,045
Administration costs	5,953	5,257
	56,789	**162,515**

The significant decline in the expenses for land is primarily attributable to additions of land for the development projects Augskor 1–3 GmbH (€38,302 thousand) and SKE Immo Sulzbach GmbH (S.à r.l.) (€50,787 thousand).

6.17 EMPLAYEE BENEFITS EXPENSE

Besides the members of the Management Board, the Group had 22 (previous year: 57) employees as of the end of the reporting period and 25.75 (previous year: 57.4) employees on average for the year. The employee benefits expense incurred are broken down as follows:

—

in € thousand	2021	2020
Wages and salaries	6,580	8,226
Valuable benefits and contributions to capital formation	99	382
Social security contributions and pensions	416	686
	7,095	**9,294**

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

6.18 OTHER OPERATING INCOME AND EXPENSES

Other operating income includes the following amounts:

—

in € thousand	2021	2020
Income from deconsolidation	28,087	350
Capitalization*	2,974	282
Income from the reduction of liabilities	676	1,990
Income from insurance benefits	322	539
Own work capitalized	170	120
Income from the reversal of specific valuation allowances	140	38
Other in-kind benefits charged, motor vehicle 19%	30	114
Other prior-period income	13	267
Income from the reversal of provisions	0	127
Other**	133	471
	32,545	**4,298**

* Included in the item "Other" in the previous year.
** Sub-classification adjusted compared to the previous year: Includes the items "Other" and "Gains from the disposal of financial investments".

The significant increase of the item "Capitalization" results from the higher costs that were capitalized as a right to transfer real property. We refer to Note 6.12. Income from deconsolidation in the amount of €28,087 thousand results from the deconsolidation of the companies of the Commercial Properties Development segment as of March 16, 2021.

Other operating expenses include the following amounts:

—

in € thousand	2021	2020
Contractual penalties	16,000	0
Legal and consulting expenses	2,642	2,395
Selling expenses	1,926	1,847
Accounting, financial statements and auditing expenses	1,017	1,766
Payment transaction costs and other financing expenses	907	169
Non-deductible input tax	827	147
Expenses for insurance, premiums and dues	759	317
Prior-period expenses	456	0
IT expenses	224	304
Travel expenses	180	153
Other tax expenses*	134	32
Losses from the disposal of financial investments	132	1,276
Remuneration of the Supervisory Board	130	118
Other project development costs that cannot be capitalized	122	691
Specific valuation allowances and bad debt losses	74	10,523
Compensation payment to shareholders	0	1,923
Other	648	846
	26,178	**22,507**

* Included in the item "Other" in the previous year.

Selling expenses include property-related selling expenses in the amount of €206 thousand (previous year: €1,413 thousand), advertising expenses in the amount of €83 thousand (previous year: €434 thousand), and agency fees of €1,637 thousand (previous year: €0 thousand). The losses from the disposal of financial investments primarily result from the sale of the April companies in the previous year.

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

The contractual penalties of €16,000 thousand has to be paid to the buyers (in equal parts IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG) from the sale of the shares of the Commercial Properties Development segment.

6.19 NET FINANCE COSTS

Net finance costs can be broken down as follows:

—

in € thousand	2021	2020
Finance income	6,828	2,662
Finance costs	–42,010	–28,008
Interest expenses for leases	–33	–79
Profit or loss from investments accounted for using the equity method, after taxes	0	3,769
Third party profit or loss shares	92	–347
	–35,123	**–22,003**

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

The finance costs predominantly result from borrowings to finance the development projects. An amount of €35,011 thousand (previous year: €20,879 thousand) of these finance costs was capitalized in the reporting period (see Note 6.15). The profit and loss shares in companies accounted for using the equity method are explained in Note 6.4. In the year under review, the material shareholdings in the companies accounted for using the equity method were deconsolidated as part of the disposal of the Commercial Properties Development business area.

6.20 INCOME TAX EXPENSE

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

Companies resident in Germany with the legal form of a corporation are subject to corporate income tax of 15%, the solidarity surtax of 5.5% of the standard corporate income tax, and local trade tax, the amount of which depends on locally specific assessment rates. Commercially operating or predominantly commercial enterprises with the legal form of an unincorporated partnership are only subject to the local trade tax. For purposes of taxation based on corporate income tax, the tax result is directly attributed to the shareholder.

The expected nominal income tax rate for the Group's parent company Gateway Real Estate AG in 2021 is 30.175% (previous year: 31.925%) and is calculated as follows:

in %	2021	2020
Corporate income tax	15.0	15.0
Solidarity surcharge	0.825	0.825
Local trade tax rate	14.35	16.1
Tax rate	**30.175**	**31.925**

Income taxes are calculated on the basis of the tax regulations applicable to each Company. The income taxes presented in the statement of comprehensive income mainly consist of deferred income taxes:

in € thousand	2021	2020
Current income taxes	3,647	859
Deferred income taxes	11,808	26,041
For temporary differences	10,850	33,028
For tax loss carryforwards	4,830	–4,645
From consolidation	–3,872	–2,342
Income tax expense	**15,455**	**26,900**

The current income taxes for the 2021 fiscal year were influenced by tax expenses from prior years in the amount of €196 thousand (previous year: tax income of €513 thousand). The deferred income tax expenses of €11,808 thousand (previous year: deferred income tax expenses of €26,041 thousand) are composed of an expense from the change in deferred tax assets in respect of loss carryforwards in the amount of €4,830 thousand (previous year: income of €4,645 thousand), the increase in netted deferred tax liabilities in respect of temporary differences in the amount of €10,850 thousand (previous year: increase of the balance by €33,028 thousand), and a deferred tax income in respect of consolidation issues in the amount of €3,872 thousand (previous year: €2,342 thousand). As a result of deconsolidation effects in connection with the disposal of nearly the entire Commercial Properties Development business area, the change in the measurements of deferred tax assets and liabilities in the amount of €8,034 thousand is not included in the consolidated statement of comprehensive income.

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

in € thousand	2021	2020
Profit before tax	70,156	116,677
Tax rate in %	30.175	31.925
Expected tax expense	21,170	37,249
Tax effects on		
Tax rate differences	–1,687	–17,553
Change of permanent differences	–10,743	–120,322
Taxes prior years	–1,950	–439
Tax-exempt income and non-tax-deductible expenses	–589	131,586
Local trade tax corrections	1,233	415
Change in the non-recognition of deferred tax assets in respect of loss carryforwards and use of non-recoverable loss carryforwards from prior years	7,031	–2,759
Changes in the non-recognition of deferred tax assets in respect of asset differences	1,086	–1,834
Loss expiration pursuant to Section 8c KStG, Section 10a GewStG	0	762
Other	–96	–205
Actual tax expenses (+) or tax income (–)	**15,455**	**26,900**

Based on the actual income taxes, the effective tax rate for the fiscal year is 22.0% (previous year: 23.1%).

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

6.21 LEASES

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

A. LEASES AS LESSEE (IFRS 16)

GATEWAY rents office space in the locations of Frankfurt am Main and Berlin. The terms of the lease agreements range from two to five years. Several of the underlying rental payments are linked to price indices.

Furthermore, the Group has sublet a part of the rented office space in Berlin. The sublease agreement was entered into on February 1, 2021. The sublease was classified as an operating lease from the lessor's perspective and the lease payments were recognized as income.

GATEWAY has leased one motor vehicle. The term of the lease agreements for the motor vehicle is three years. There are no extension options and the lease agreement contains fixed lease payments.

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

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

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

—

in € thousand	Plant and machinery	Land and buildings	Operating and office equipment	Total
Balance as of 01/01/2020	**169**	**1,920**	**59**	**2,148**
Depreciation in the fiscal year	98	447	40	585
Additions to right-of-use assets	192	612	31	835
Disposals of right-of-use assets	0	0	0	0
Balance as of 12/31/2020	**263**	**2,085**	**50**	**2,398**
Depreciation in the fiscal year	16	645	7	668
Additions to right-of-use assets	0	342	0	342
Disposals of right-of-use assets	0	0	0	0
Disposals arising from changes to the scope of consolidation	239	1,604	36	1,879
Balance as of 12/31/2021	**8**	**178**	**7**	**193**

The right-of-use asset for the office building in Frankfurt am Main was fully written off due to the relocation of the management to Berlin and the associated lack of benefit for GATEWAY as well as the limited other alternative uses. However, the lease liability remains as before.

b) Amounts recognized in profit or loss

—

in € thousand	2021	2020
Leases in accordance with IFRS 16		
Interest expenses for lease liabilities	–33	–79
Income from subleases of right-of-use assets, presented in revenue	8	16
Expenses for short-term leases	–1	0
Expenses for leases of low-value assets	–5	–3
Depreciation of right-of-use assets	–668	–585

c) Amounts recognized in the cash flow statement

—

in € thousand	2021	2020
Total cash outflows for leases	–431	–647

d) Extension options
As of the reporting date, there are no lease agreements subject to extension options the exercise of which has a material effect on lease liabilities.

e) Future leases
The Group did not enter into a lease after the end of the reporting period.

B. LEASES AS LESSOR (IFRS 16)

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

The Group recorded lease income in the amount of €7,090 thousand (previous year: €8,481 thousand) in the reporting period.

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

—

in € thousand	2021	2020
Operating leases in accordance with IFRS 16		
Less than one year	5,030	7,179
One to two years	4,237	5,320
Two to three years	3,895	11,853
Three to four years	2,558	11,941
Four to five years	2,445	11,968
More than five years	13,003	111,939
Total	**31,168**	**160,200**

The significant decrease of future lease receivables is mainly the result of the lack of rental income from the property of Projektentwicklung Technologiecampus Großraum Stuttgart GmbH following the disposal of the shareholdings of Development Partner AG.

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

7. OTHER DISCLOSURES

7.1 EARNINGS PER SHARE

The basic earnings per share are as follows:

—

in €	2021	2020
Earnings per share	**0.27**	**0.48**

As in the prior year, there were no potentially diluting equity instruments such as stock options at the reporting date. The basic earnings per share is calculated as the quotient of the profit attributable to the shareholders of the parent company and the average number of shares outstanding during the fiscal year as follows:

A. ATTRIBUTION OF PROFIT TO COMMON SHAREHOLDERS (BASIC)

—

in € thousand	2021	2020
Profit attributable to owners of the parent company	50,914	90,335
Profit attributable to holders of common shares	50,914	90,335

The average number of shares is calculated as follows:

B. WEIGHTED AVERAGE OF COMMON SHARES (BASIC)

—

in thousands of shares	2021	2020
Common shares outstanding as of 01/01	186,764	186,764
Common shares issued in connection with a capital increase in April 2019	0	0
Common shares outstanding as of December 31	186,764	186,764
Weighted average number of common shares as of 12/31	**186,764**	**186,764**

7.2 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As of December 31, 2021, the Group has contingent liabilities with respect to order commitments.

Contingencies generally occur in the form of interest guarantees, rent deposit guarantees, cost overrun guarantees, comfort letters, partial releases from liability of co-shareholders and bank guarantees.

The contingencies incurred in the previous year in the form of sureties and a guarantee expired without any utilization. In the year under review, no new contingencies towards third parties were entered into.

On July 8, 2021, the Group entered into a purchase agreement for the acquisition of shares in the two project development companies in Leipzig which mainly focus on residential development. The purchase price of around €54,000, with simultaneous assumption of the proportionate net liability from loans in a nominal amount of around €255.0 million, plus interest incurred, is expected to become due in the second quarter of 2022, subject to the conditions precedent.

The order commitment for investment projects amounts to €29,154 thousand (previous year: €56,402 thousand) and has declined due to the disposal of nearly the entire Commercial Properties Development business area as well as due to project progress.

In the fiscal year 2021, right-of-use assets and lease liabilities were accounted for in accordance with IFRS 16. We refer to Notes 6.21 and 2.3.

7.3 MATERIAL TRANSACTIONS WITH RELATED PARTIES

A. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

On May 7, 2020, SNBH sold all of its shares in the Company to Norbert Ketterer. In this context, Norbert Ketterer notified the Company that his share of voting rights in Gateway Real Estate AG on May 7, 2020 amounted to 66.24% (123,712,159 voting rights), with 66.19% or 123,616,650 of the voting rights being directly held and 0.05% or 9,550 of the voting rights representing voting rights attributed to him. Since May 7, 2020, Norbert Ketterer personally is the controlling majority shareholder and the controlling company within the meaning of Section 312 AktG.

B. COMPENSATION OF MEMBERS OF KEY MANAGEMENT PERSONNEL

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

—

in € thousand	2021	2020
Short-term benefits	1,489	1,154
	1,489	**1,154**

The benefits exclusively refer to non-performance-related compensation components and include, in terms of the Management Board compensation, a fixed compensation as well as fringe benefits. As in the comparative period, the members of the Management Board were not granted any advances or loans in the reporting period.

The members of the Supervisory Board exclusively receive a fixed compensation and received a compensation of a total of €130 thousand (previous year: €117 thousand) in the current fiscal year.

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

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

Disposal of the Commercial Properties Development business area

As described in Note 2.23, all the shares in Development Partner AG, Duesseldorf, were sold by way of a share purchase and transfer agreement dated February 3, 2021. The acquirers are, at equal shares, IMFARR Beteiligungs GmbH and YN Beteiligungen Holding AG. The share purchase agreement was completed in relation to the shareholding in Development Partner AG on March 16, 2021 and resulted in the corresponding deconsolidation.

The purchase price for the share in Development Partner AG totaled €94.7 million, 50% of which is attributable to YN Beteiligungen Holding AG, Switzerland. A total of €39.6 million was already paid on the closing date; 50% of this amount is again attributable to YN Beteiligungen Holding AG.

The remaining purchase price in a nominal amount of €55.1 million is deferred until March 31, 2022 and bears interest at a rate of 4.25%. The receivables, including interest, due from YN Beteiligungen Holding AG, Switzerland, total €28.0 million as of December 31, 2021.

Claims from shareholder loans with a carrying amount of €134.4 million as of the closing date (March 16, 2021) were not part of the sale of shares and remain with the GATEWAY Group. After loans, including interest, in a total amount of €88.2 million were repaid and furthermore two additional loans in the amount of €10.8 million and €7.8 million were granted to Development Partner AG, Duesseldorf, in the year under review, the remaining receivables existing as of December 31, 2021 amount to €67.6 million.

As a result of the existing significant influence of the company YN Beteiligungen Holding AG, Switzerland, which is due to the 50% shareholding, these loans also can be classified as related party transactions. The shareholder loans break down as follows as of December 31, 2021:

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Date of contract	Borrower/related party	Amount in € thousand	Interest rate in %	Outstanding amount as of 12/31/2021 in € thousand	End of contract term
01/13/2020	Development Partner AG, Duesseldorf	8,048	4.25	8,718	12/31/2023
05/13/2019	Development Partner AG, Duesseldorf	960	2.00	1,016	12/31/2023
12/15/2021	Development Partner AG, Duesseldorf	10,800	4.25	10,819	12/31/2023
09/13/2021	Development Partner AG, Duesseldorf	7,800	4.25	7,899	12/31/2023
01/01/2020	Development Partner AG, Duesseldorf	13,154	4.25	14,273	12/31/2023
01/01/2021	Development Partner AG, Duesseldorf	6,592	4.25	6,872	12/31/2023
01/14/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbuehel, Austria	8,501	4.25	9,209	12/31/2023
09/18/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbuehel, Austria	535	4.25	561	12/31/2023
01/28/2020	Gewerbepark Neufahrn Projektentwicklungs-GmbH, Kitzbuehel, Austria	50	4.25	54	12/31/2023
09/27/2019	Projektentwicklung Campus Park München, Duesseldorf	1,175	4.25	1,462	12/31/2023
10/09/2019	Projektentwicklung Campus Park München, Duesseldorf	2,380	4.25	2,516	12/31/2023
05/17/2019	Projektentwicklung Technologiecampus Großraum Stuttgart GmbH, Duesseldorf	3,980	2.00	4,228	12/31/2023

In addition, there is a liability to DP AG resulting from the still existing reimbursement claim towards the tax authorities in relation to capital gains taxes in the amount of €3.4 million. Another liability in the amount of €1.0 million results from the profit and loss transfer agreement existing until February 28, 2021.

Due to the fact that the compensation of net profit for the period from January 1 to February 28, 2021 was contractually agreed between YN Beteiligungen Holding AG and the additional buyer, there is a receivable from the buyers, which they owe in equal parts.

Moreover, advance payments of €2 million was already made by YN Beteiligungen Holding AG as of the closing date for the originally planned sale of the shares in the three commercial properties development companies in Berlin. Due to the reversal of the sale as a result of the lack of shareholder approval, these advance payments are now reported as other financial liabilities. Furthermore, 50% of the associated contractual penalty of €16.0 million, which was recorded as a liability, is also attributable to YN Beteiligungen Holding AG.

Acquisition of Borussia Development GmbH

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

A purchase price of €70 million was agreed for the acquisition of the residential development projects; the purchase price is deferred until December 31, 2022 (interest: 4.25%). As of December 31, 2021, the liability, including accrued interest, amounts to €63.8 million. Furthermore, additional purchase prices were agreed which will be charged if certain construction stages of the acquired projects are resold with a profit margin defined in the contract. The additional purchase prices amount to a maximum total of €50 million, plus accrued interest, if applicable.

As part of the transaction, the following project-related loan receivables to the related company SN Beteiligungen Holding AG, Switzerland, were assumed:

Borrower	Project	Amount in € thousand	Interest rate in %	Outstanding amount as of 12/31/2021 in € thousand	End of contract term
Borussia Development GmbH, Duesseldorf	Cologne Deutz	1,992	10.00	2,307	12/31/2022
Borussia Development GmbH, Duesseldorf	Cologne Deutz	4,109	10.00	4,980	12/31/2022
Borussia Development GmbH, Duesseldorf	Dresden	8,606	10.00	9,614	12/31/2022
Borussia Development GmbH, Duesseldorf	Dresden	1,341	10.00	1,580	12/31/2022
Borussia Development GmbH, Duesseldorf	Cavallo Duesseldorf	6,041	10.00	0	12/31/2021
Borussia Development GmbH, Duesseldorf	Cavallo Duesseldorf	1,951	10.00	0	12/31/2021

Moreover, the project financing for the Cavallo Duesseldorf project was passed through to the non-Group companies Borussia Düsseldorf Cavallo 1 UG haftungsbeschränkt, Duesseldorf, Borussia Düsseldorf Cavallo 2 UG haftungsbeschränkt, Duesseldorf, and Gerchgroup Einkaufs-GbR Düsseldorf Cavallo at an interest rate of 10.5%. The loan receivables as of December 31, 2021 amounted to €6,774 thousand, €3,133 thousand and €2,312 thousand, respectively. The companies are controlled by SN Beteiligungen Holding AG, Switzerland, and are therefore classified as related parties.

Based on an agreement on the offsetting of loans, effective December 31, 2021, part of the mentioned receivables of Borussia Development GmbH, Duesseldorf, were assigned to SN Beteiligungen Holding AG, Switzerland. In return, the loan liabilities to SN Beteiligungen Holding, Switzerland, were fully reduced.

The outstanding loan receivables of Borussia Development GmbH, Duesseldorf, due from the three companies are broken down as follows as of December 31, 2021:

Borrower	Project	Amount in € thousand	Interest rate in %	Outstanding amount as of 12/31/2021 in € thousand	End of contract term
Borussia Cavallo 1 UG, Duesseldorf	Cavallo Duesseldorf	1,992	10.50	1,298	12/31/2022
Borussia Cavallo 2 UG, Duesseldorf	Cavallo Duesseldorf	4,109	10.50	601	12/31/2022
Gerchgroup Einkaufs-GbR Duesseldorf Cavallo, Duesseldorf	Cavallo Duesseldorf	2,019	10.50	0	12/31/2022

Sale of Gateway Asset Management GmbH
Based on a share purchase agreement dated June 30, 2021, all of the shares of Gateway Asset Management GmbH were sold to the related company Development Partner AG. Initially, the provisional purchase price amounts to €25 thousand and is determined finally on the basis of a closing balance sheet. The company Development Partner AG is classified as a related party within the meaning of IAS 24 as it is 50% controlled by YN Beteiligungen Holding AG, Switzerland.

Acquisition of Leipzig 416
On July 8, 2021, the Company acquired a plot of land in Leipzig, primarily for residential development purposes. To this end, the Company concluded a purchase agreement on the same date with IMFARR Beteiligungs GmbH and SN Beteiligungen Holding AG for the acquisition of their shares (IMFARR Beteiligungs GmbH 50% each, SN Beteiligungen Holding AG 39.9% each, together 89.9% each) in Virtus Sechsundzwanzig Beteiligungs GmbH and Baufeld 23 Entwicklungs GmbH. The purchase price amounts to around €54,000, including the concurrent acquisition of the proportionate loan liabilities in the amount of approx. €210 million. The closing of the share purchase is still subject to conditions precedent and is scheduled for April 2022.

D. OTHER RELATED PARTIES

The Group has significant relations to other related parties. Above all, financing via other related companies is a key source of financing. For this reason, the following table includes the key information for each loan taken out. As in the previous year, no collateral was provided for these loans.

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Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of 12/31/2020 in € thousand	Outstanding amount as of 12/31/2021 in € thousand	End of contract term
SN Beteiligungen Holding AG, Schweiz						
02/18/2021	Gateway Real Estate AG, Frankfurt am Main	14,000	4.25	0	5,761	03/02/2022
02/18/2021	Gateway Real Estate AG, Frankfurt am Main	56,000	4.25	0	58,063	12/31/2022
12/16/2021	Gateway Real Estate AG, Frankfurt am Main	6,500	8.00	0	6,520	02/28/2022
09/23/2020	Gateway Real Estate AG, Frankfurt am Main	40,000	8.00	40,862	0	03/17/2021
08/13/2020	Gateway Real Estate AG, Frankfurt am Main	8,181	4.25	8,313	0	09/13/2021
Total				**49,175**	**70,344**	

The Group has the following receivables due from other related companies: As in the previous year, no collateral was provided for these loans.

—

Other related companies	Borrower	Amount in € thousand	Interest rate in %	Outstanding amount as of 12/31/2020 in € thousand	Outstanding amount as of 12/31/2021 in € thousand	End of contract term
Gateway Real Estate AG, Frankfurt am Main						
03/16/2021	YN Beteiligungen Holding AG	28,047	4.25	0	29,007	03/31/2022
01/01/2021	YN Beteiligungen Holding AG	465	0	0	465	12/31/2022
07/25/2019	YN Beteiligungen Holding AG	2,562	8.12	2,844	3,082	12/31/2021

Nokera Planning GmbH (until December 31, 2020: Fuchshuber Architekten, Leipzig) provided planning services for project companies of Gateway in the year under review. The company has to be classified as a related company as it is controlled by the Chairman of the Supervisory Board. The scope of the planning assignment comprises work stages (Leistungsphasen, LP) 1 to 4 of the German Regulation son the Fee Structure for Architects and Engineers (Honorarordnung für Architekten und Ingenieure, HOAI). The agreed fee was €25 per square meter of eligible rented space. The resulting overall fees to be paid by the Group amount to €8.6 million.

E. DISCLOSURES ON RELATED PERSONS

In accordance with IAS 24, the Group also reports transactions between the Group and related natural persons and their family members. Related persons are defined as members of the Management Board and the Supervisory Board as well as their family members.

In the reporting period 2021, the following transactions and legal matters involving this group of persons had to be reported.

Natalie von Rom – wife of the Supervisory Board member Ferdinand von Rom – was active as a notary public for companies of the Group in both the fiscal year 2021 and the prior year and invoiced a total amount of €29 thousand for her services in 2021 (previous year: €10 thousand). As in the previous year, there were no balances outstanding as of the reporting date.

In relation to the compensation of key management personnel required to be reported in accordance with IAS 24, we refer to Subsection B of this Note; this comprises the compensation of the active members of the Management Board and the Supervisory Board.

7.4 GOVERNING BODIES

A. SUPERVISORY BOARD

In accordance with the articles of association, the Supervisory Board of GATEWAY consists of five members who are elected by the Annual General Meeting. The members of the Group's Supervisory Board during the reporting year 2021 are presented below:

- Norbert Ketterer, businessman, Rueschlikon/Switzerland (Chairman)
- Thomas Kunze, business management graduate, Leipzig/Germany (Deputy Chairman)
- Ferdinand von Rom, attorney (Rechtsanwalt), Frankfurt am Main/Germany
- Jan Hendrik Hedding, businessman, Zurich/Switzerland
- Leonhard Fischer, businessman, Zurich/Switzerland

B. MANAGEMENT BOARD

The members of the Group's Management Board during the reporting year 2021 are presented below:

- Tobias Meibom, Hamburg/Germany, CFO
- Stefan Witjes, Berlin/Germany, COO

7.5 AUDITOS'S FEES

The total fee charged by the independent auditor for its activity throughout the Group in the past fiscal year in the amount of €508 thousand (previous year: €481 thousand) includes fees for auditing services and other services, plus the statutory sales tax. The total fee can be broken down as follows:

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in € thousand	2021	2020
Financial statements auditing services	480	375
Other certification services	0	0
Tax advisory services	0	0
Other services*	28	106
Total	**508**	**481**

* includes fees to affiliated companies of the auditor in the amount of €0 thousand (previous year: €4 thousand).

7.6 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

GATEWAY's Management Board and Supervisory Board have issued the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz; AktG). The declaration is included in the 2021 Annual Report and will also be permanently accessible to the shareholders on the website under https://www.gateway-re.de/en/investor-relations/corporate-governance/declarations-of-compliance/ (German only).

7.7 LIST OF SHAREHOLDINGS

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Name of the company	Registered office, country	Ownership interest in %	Footnote
Fully-consolidated subsidiaries (standing assets)			
Gateway Vierte GmbH	Frankfurt am Main, Germany	94.90	
Gateway Fünfte GmbH	Frankfurt am Main, Germany	94.90	
Gateway Siebte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Achte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Neunte GmbH	Frankfurt am Main, Germany	100.00	
Gateway Elfte GmbH	Frankfurt am Main, Germany	94.00	
Gateway Betriebsvorrichtungen – Dienstleistungen – Marketing GmbH	Frankfurt am Main, Germany	100.00	
GTY 1te Bochum GmbH & Co. KG	Eschborn, Germany	100.00	1
GTY 1te Siegen GmbH & Co. KG	Eschborn, Germany	100.00	1
GTY 1te Düsseldorf GmbH & Co. KG	Eschborn, Germany	100.00	1
Augskor 1 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Augskor 2 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Augskor 3 GmbH (S.à r.l.)	Luxembourg, Luxembourg	100.00	2
Duisburg EKZ 20 Objekt GmbH	Berlin, Germany	89.90	
MUC Airport Living GmbH	Munich, Germany	90.00	
Borussia Dresden Quartiere am Blüherpark 10 UG	Duesseldorf, Germany	100.00	4
Fully-consolidated subsidiaries (property development)			
Borussia Development GmbH	Duesseldorf, Germany	100.00	
Borussia Köln DQ Erschließungs UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 1 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 2 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 3 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 4 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 5 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 6 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 7 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 8 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 9 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 10 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 11 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 12 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 13 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 14 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 15 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 16 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 17 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 18 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 19 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 20 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ 21 UG	Duesseldorf, Germany	89.90	3
Borussia Köln DQ Einkaufs GbR	Duesseldorf, Germany	100.00	
Borussia Dresden Investment UG	Duesseldorf, Germany	89.90	3
Borussia Dresden Quartiere am Blüherpark 1 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 2 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 3 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 4 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 5 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 6 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 7 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 8 GmbH & Co. KG	Duesseldorf, Germany	100.00	4
Blüherpark BA 1 Verwaltungs GmbH	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 9 UG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 10 UG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 11 UG	Duesseldorf, Germany	100.00	4
Borussia Dresden Quartiere am Blüherpark 12 UG	Duesseldorf, Germany	100.00	4
Borussia Dresden Einkaufs-GbR	Duesseldorf, Germany	100.00	3
Gateway Residential GmbH	Frankfurt am Main, Germany	100.00	
Beteiligungsgesellschaft Berlin-Heinersdorf 18 GmbH	Berlin, Germany	90.00	7
Objekt Heinersdorf in Berlin GmbH i.L.	Berlin, Germany	100.00	8
Gateway SoHo Sullivan GmbH & Co. KG	Frankfurt am Main, Germany	100.00	7
Gateway SoHo Sullivan Verwaltungs GmbH	Frankfurt am Main, Germany	100.00	7
S0 SoHo Sullivan GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S1 Rialto Quartier GmbH	Frankfurt am Main, Germany	100.00	5
S2 Cliffhanger GmbH	Frankfurt am Main, Germany	100.00	5
S3 Forum Sullivan GmbH	Frankfurt am Main, Germany	100.00	5
S4 De Gregori Quartier GmbH	Frankfurt am Main, Germany	100.00	5
S5 Dalla Quartier GmbH	Frankfurt am Main, Germany	100.00	5

Fully-consolidated subsidiaries (property development)			
S7 Curve Quartier GmbH	Frankfurt am Main, Germany	100.00	5
S9 Casino Quartier GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S6 Park Lane GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S8 Chelsea Quartier GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S11 Piazza GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
S12 Sound & Vision GmbH & Co. KG	Frankfurt am Main, Germany	100.00	5
SKE Immo Sulzbach GmbH (S.à r.l.)	Bereldange, Luxembourg	100.00	2
Gateway Siebzehnte GmbH	Eschborn, Germany	100.00	
Gateway Achtzehnte GmbH	Eschborn, Germany	100.00	
Maize Zizania Property GmbH	Hamburg, Germany	100.00	6
Gateway Neunzehnte GmbH	Eschborn, Germany	100.00	
Gateway Zwanzigste GmbH	Eschborn, Germany	100.00	
Revaler Straße 32 PE GmbH	Berlin, Germany	51.00	2
Storkower Straße 140 PE GmbH	Berlin, Germany	51.00	2
Storkower Straße 142–146 PE GmbH	Berlin, Germany	51.00	2
Companies not included			
GTY Betriebsvorrichtung GmbH	Eschborn, Germany	100.00	1
Associates accounted for using the equity method			
GAM Retail Portfolio Holding GmbH	Berlin, Germany	42.15	
Other investments			
Projektentwicklung Taunusstr. 52–60 in Frankfurt GmbH	Duesseldorf, Germany	11.00	7

1 Investment held via Gateway Achte GmbH, Frankfurt am Main
2 Investment held via Gateway Neunte GmbH, Frankfurt am Main
3 Investment held via Borussia Development GmbH, Duesseldorf
4 Investment held via Borussia Dresden Investment GmbH, Duesseldorf
5 Investment held via Gateway SoHo Sullivan GmbH, Frankfurt am Main
6 Investment held via Gateway Siebzehnte GmbH, Eschborn
7 Investment held via Gateway Residential GmbH, Eschborn
8 Company in liquidation

7.8 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

A. CLOSING OF THE FINANCING OF THE PROJECT COMPANY IN HAMBURG

Based on an agreement on a promissory note loan dated March 2, 2022, the Company was able to raise funds to finance a share purchase agreement of the subsidiary Gateway Siebzehnte GmbH, Eschborn, which had already been entered into and which had been interpreted by Gateway Real Estate AG. The agreement refers to a residential project development company in Hamburg, which had already been acquired in the year under review. The promissory note loan is secured by way of a mortgage on the land acquired in the amount of €43.6 million and has a term ending March 2, 2025. The interest rate is 4.5% p.a.

B. UKRAINE CONFLICT CREATES UNCERTAINTY FOR THE OUTLOOK FOR THE GLOBAL ECONOMY, THE INDUSTRY AND THE GROUP

The intensification of the conflict between Russia and Ukraine, which culminated in an armed conflict in Ukraine on February 24, 2022, creates uncertainties for the development of the global economy, the real estate industry and the Group. GATEWAY has taken into account these uncertainties in its report on expected developments for the fiscal year 2022 (see Chapter 4.2.1 Market environment/macroeconomic situation).

Frankfurt am Main, March 29, 2022

Gateway Real Estate AG
The Management Board

Tobias Meibom

Stefan Witjes

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the management report of the Group includes a fair view of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, March 29, 2022

Gateway Real Estate AG
The Management Board

Tobias Meibom　　　　Stefan Witjes

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

INDEPENDENT AUDITOR'S REPORT

To Gateway Real Estate AG, Frankfurt am Main

Report on the audit of the consolidated financial statements and of the Group management report

AUDIT OPINIONS

We have audited the consolidated financial statements of Gateway Real Estate AG, Frankfurt am Main and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2021 to 31 December 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of Gateway Real Estate AG, Frankfurt am Main for the financial year from 1 January 2021 to 31 December 2021. In accordance with German legal requirements, we have not audited the contents of the Group management report, listed in section "Other information" of our independent auditor's report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January 2021 to 31 December 2021, and
- the accompanying Group management report as a whole provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the contents of the aforementioned parts of the Group management report not included within the scope of our audit.

Pursuant to Section 322 (3) Sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the Group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the Group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon we do not provide a separate audit opinion on these matters.

In our view, the matters presented below were the most significant as part of our audit:

Recognition and measurement of investment property and non-current assets held for sale

— Reasons for designation as Key Audit Matter

The consolidated financial statements of Gateway Real Estate AG as of December 31, 2021, show investment properties of EUR 286.5 million (previous year: EUR 184.9 million) and non-current assets held for sale (properties previously recognized as investment properties) of EUR 43.8 million (previous year: EUR 54.2 million). In preparing the consolidated financial statements, the Management has to decide for each property whether it is to be reported as investment property, as a non-current asset held for sale or as inventories. Gateway Real Estate AG accounts for investment properties and non-current assets held for sale using the fair value model in accordance with IFRS 13. Accordingly, unrealized changes in fair value due to changes in market values are generally recognized in profit or loss as part of the fair value measurement. In the past financial year, EUR 67.7 million (previous year: EUR 129.1 million) has been recognized in profit or loss as unrealized changes in fair value due to changes in market values in the consolidated statement of comprehensive income.

The fair value of investment properties and non-current assets held for sale is determined on the basis of appraisals by external experts using current market data and internationally recognized valuation methods. For completed properties and projects nearing completion, discounted cash flow methods are used to discount the expected future cash flows of a property to the balance sheet date of December 31, 2021, applying a market-based, property-specific discount and capitalization rate. In the case of undeveloped land, the residual value method is used to determine a realistic land value. The fair value is generally determined on the basis of the highest and best use of the property (concept of "Highest and Best use").

The valuation of investment properties and non-current assets held for sale is based on a large number of parameters that are fundamentally subject to estimation uncertainty and judgment. Significant valuation parameters include in particular the expected cash flows, the assumed vacancy rate and the discount and capitalization rates. Even minor changes in valuation-relevant parameters can lead to significant changes in fair values. Due to the significance of the items "Investment properties" and "Non-current assets held for sale" for the financial statements, as well as the estimation uncertainties and the exercise of discretion by the Executive Board, we determined this matter to be a particularly important audit matter.

— Our audit approach

We have assessed the recognition of the investment properties and the non-current assets held for sale on the basis of the contractual documents, the corporate planning as well as the information provided by the legal representatives and other documents submitted. In order to examine the valuation, we assessed the competence, ability and objectivity of the external appraiser engaged by Gateway Real Estate AG to determine the fair value, assessed the valuation methods applied in the appraisals with regard to conformity with IAS 40 in conjunction with IFRS 13, assessed the significant valuation assumptions and parameters, and examined the arithmetical accuracy of the calculations. With the involvement of our own valuation specialists, we have assessed the accuracy and completeness of the data on the real estate portfolios used in the valuation models by means of substantive audit procedures.

In addition, we performed analytical audit procedures on the change in market values per property. To this end, we analyzed whether the development of the value drivers (e.g. annual net rent, lettable area, vacancy rate, discount and capitalization rate, gross multiplier) is in line with the development of the market value of the respective property.

We also assessed the completeness and adequacy of the disclosures in the notes to the consolidated financial statements required by IAS 40, IFRS 13 and IFRS 5.

— Reference to related disclosures in the notes

For information on investment properties, please refer to Note 2.8 in "2. Significant accounting policies" and Note 6.3 in "6. Additional notes to the items of the consolidated financial statements" in the notes to the consolidated financial statements, and for information on non-current assets held for sale, please refer to Note 2.22 in "2. Significant accounting policies" and Note 6.8 in "6. Additional notes to the items of the consolidated financial statements".

Recognition and measurement of inventories

— Reasons for designation as Key Audit Matter

The consolidated financial statements of Gateway Real Estate AG for the year ending 31 December 2021, show inventories in the amount of EUR 747.2 million. This corresponds to 55% of total assets. The accounting for real estate in inventories is associated with uncertainties caused by estimates and the exercise of discretion due to the following circumstances. First, Management must decide for each property whether it is to be held for long-term rental or for capital appreciation or whether it is to be sold and accordingly reported as investment property or in inventories.

As part of the measurement of inventories, Management must ensure that the acquisition or production costs are determined correctly and examine whether an impairment to a net realizable value lower than (amortized) cost is necessary. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses still to be incurred. Due to the significance of inventories for the financial statements and the uncertainties caused by estimation and the exercise of discretion by Management, we have determined that this is a key audit matter.

— Our audit approach

We have assessed the correct presentation of the properties in inventories on the basis of the contractual documents, the corporate planning, information provided by the legal representatives and other documents submitted. In order to review the valuation, we assessed the implementation, design and functionality of the relevant internal controls. With regard to the acquisition or production costs, we carried out a document review based on a deliberate risk-oriented selection. With regard to the determination of the net realizable value, the appropriateness of the estimate of future or expected market prices on the real estate market was assessed on the basis of comparable transactions, expert opinions by experts of the legal representatives or existing business plans. We assessed the competence, ability and objectivity of the aforementioned experts and checked the calculation of the values of the properties in these expert's reports.

We have also assessed the completeness and accuracy of the disclosures required by IAS 2 in the notes to the consolidated financial statements.

— Reference to related disclosures in the notes

With regard to the accounting policies applied regarding real estate in inventories and the related disclosures on accounting estimates and assumptions, we refer to the disclosures in the notes to the consolidated financial statements in the sections 2.11 in "2. Significant accounting policies" and 6.5 in "6. Additional notes to the items of the consolidated financial statements".

OTHER INFORMATION

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

- the statement on corporate governance in accordance with Section 289f HGB in conjunction with Section 315d HGB, to which reference is made in section 1.3 "Corporate Governance Statement" in the Group management report,
- the Supervisory Board's report,
- the Remuneration report
- the confirmation pursuant to Section 297 (2) Sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to Section 315 (1) Sentence 5 HGB regarding the Group management report,
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and Group management report, which has been audited in relation to its contents, and our auditor's report.

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the statement pursuant to Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code (DCGK), to which reference is made in the Group management report as part of the corporate governance statement as well as for the Remuneration report. In all other respects, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the Group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that a material misstatement of this other information exists, we are required to report such a fact. We have nothing to report in this context.

RESPONSIBILITIES OF THE MANAGEMENT AND THE SUPERVISORYBOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

The Management Board members are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with such requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board members are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board members are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for preparing the accounts on a going concern basis of accounting unless an intention exists to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board members are responsible for the preparation of the Group management report which, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board members are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group management report as a whole provides an appropriate view of the Group's position and in all material respects is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with German legal requirements, and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also

— identify and assess the risks of material misstatement in the consolidated financial statements and the Group management report, whether due to fraud or error, we design and perform audit procedures responsive to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

— obtain an understanding of the internal control system relevant to the audit of the consolidated financial statements, and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

— evaluate the appropriateness of accounting policies used by the Management Board members and the reasonableness of estimates made by the Management Board members as well as related disclosures.

- conclude on the appropriateness of the Management Board members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in such a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to be able to express audit opinions on the consolidated financial statements and on the Group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the Group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the Management Board members in the Group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board members as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and therefore are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

AUDIT OPINION

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the Group management report (hereinafter also referred to as "ESEF documents") contained in the attached file GATEWAY_REAL_ESTATE_AG_KA_KLB_ESEF-2021-12-31.zip (SHA256-Hashwert: 1f5d2480d4195a3b5852322c28348cd43a61f13769f3b9b4fabdee8bdce104ad) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format, and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this audit opinion and our audit opinion on the accompanying consolidated financial statements and on the accompanying Group management report for the financial year from 1 January 2021 to 31 December 2021, included in the "Report on the audit of the consolidated financial statements and of the Group management report" above.

Basis for the audit opinion

We conducted our audit of the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file in accordance with Section 317 (3a) HGB and IDW Assurance Standard: Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AsS 410 (10.2021). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Audit on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Management and the Supervisory Board for the ESEF Documents

The legal representatives of the Company are responsible for the preparation of the ESEF documents including the electronic reproductions of the consolidated financial statements and the Group management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) Sentence 4 No 2 HGB.

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

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

Auditor's Responsibilities for the audit of the ESEF documents

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

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited group financial statements and the audited management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL), in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general Meeting on 25 August 2021. We were engaged by the Supervisory Board on 10 January 2022. We have been the auditor of the group financial statements of Gateway Real Estate AG, Frankfurt am Main without interruption since the financial year 2019.

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

Other matters – use of the auditor's report
Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette [Bundesanzeiger] – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not replace them. In particular, the ESEF note and our audit opinion contained therein can only be used in conjunction with the audited ESEF documentation provided in electronic form.

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Karsten Luce.

Nuremberg, 29 March 2022

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Landgraf	Luce
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR

May 31, 2022	Publication of quarterly statement (publication date Q1)
August 2022	Annual General Meeting
September 30, 2022	Publication of half-yearly financial report
November 28–30, 2022	Deutsches Eigenkapitalforum
November 30, 2022	Publication of quarterly statement (publication date Q3)

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