HALF-YEARLY FINANCIAL REPORT 2019

GATEWAY
REAL ESTATE

AT A GLANCE

Key financial figures

in € thousand	**01.01.– 30.06.2019**	01.01.– 30.06.2018
Revenues	19,632	5,632
Gross profit	56,317	37,106
EBIT adjusted	22,661	26,476
Consolidated profit	1,761	11,840
Earnings per share	0.01	0.53
	30.06.2019	31.12.2018
Balance sheet total	841,682	798,616
Equity	216,521	148,425
Equity ratio	25.7%	18.6%
Cash and cash equivalents	34,719	73,931

ABOUT US

Gateway Real Estate with its subsidiaries is one of the leading listed developers of commercial and residential real estate. It is specialized in the development and the subsequent sale of commercial and residential properties, as well as the acquisition and long-term leasing of commercial properties as yield investments. In particular, we focus on the development of office properties and inner-city commercial buildings in Germany's top 7 cities and selected high-growth regions.

In terms of development, Gateway Real Estate AG and its subsidiaries cover the entire value chain from the acquisition of land and projects through development and construction to the sale of the properties. In addition, we have an excellent network and established partnerships. This enables us to generate attractive returns for our shareholders.

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Dear Shareholders, Ladies and Gentlemen,

in the first half of 2019, we successfully advanced the strategic positioning of Gateway Real Estate AG as one of the leading exchange-listed developer of commercial and residential properties. In this context, we have focused primarily on the development of office properties and inner-city commercial buildings in the top 7 cities of Germany and in selected high-growth regions. In addition, the existing business of portfolio management of commercial real estate will be continued.

Gateway Real Estate AG was admitted to the quality segment "Prime Standard" of the regulated market of the Frankfurt Stock Exchange in April 2019. Within this framework, a successful capital increase was made, with nearly 16.9 million shares being placed at institutional investors in connection with an international private placement at a placement price of €4.00 per share. Afterwards further 82,610 shares were offered for subscription to existing shareholders. This strengthened the Company's equity position, while the proceeds were used for the repayment of high-yield loans as well as for new acquisitions.

In operating terms, we were able to implement essential measures in the first six months of 2019 and thereafter.

Our development pipeline was expanded by new purchases of land; the gross development volume (GDV) currently amounts to around €5 billion. In the first half of 2019, for example, we acquired a plot of land of 69,000 square meters in Ehingen, near Stuttgart, where we are constructing the new IBM technology campus until 2021 as well as a project in Berlin. In addition, after the reporting date, the Group purchased another site of 38,900 square meters in Munich-Aschheim as well as three additional projects in Berlin. Currently, we are in negotiations for additional promising acquisitions.

In the first half year, we were also successful on the sell side as we signed contracts for the sale of a residential property project in Erfurt as well as a commercial property project in Wiesbaden. Parallel, we pressed ahead with the successful sale of properties from our standing asset portfolio, thus generating new funds that we reinvest for future growth. In the first half of 2019, we completed the sale of standing assets in Dusseldorf, Bochum, and Siegen. Moreover, on August 19, 2019, we announced the disposal of a standing asset portfolio consisting of 21 commercial and retail properties in good inner-city locations for a purchase price of approximately €242 million; we expect that the full transfer of the properties will occur by the end of the current year. This marks another important step in our transformation process. Going forward, we will continue purchasing leased commercial properties in order to sell them profitably after a successful value creation.

Our project developments are on schedule. At the end of March 2019, our wholly-owned subsidiary Development Partner, together with project partner B&L Gruppe, celebrated the topping-out ceremony for our hotel and commercial building in Hamburg Barmbek. After the reporting date, in August 2019, we announced that Gateway will undertake rebuilding measures for the Leipzig University of Applied Sciences as regards an existing building that will be converted into new premises for the University's operations and further 196 student accommodations. The rental space for University operations has already been leased for ten years to Staatsbetrieb Sächsisches Immobilien- und Baumanagement (SIB), the property and construction management agency of the Free State of Saxony. The development volume for this project amounts to around €47 million.

The first six months of 2019 reflect the strategic positioning of Gateway, where contributions to earnings from leasing, from the sale of standing assets and, increasingly in future, from the sale of development projects are key elements.

The adjusted EBIT, which is the operating profit plus the result from investments accounted for using the equity method, amounted to €22.7 million in the first half of 2019.

For the fiscal year 2019, we now expect a significant increase in the adjusted EBIT compared to the fiscal year 2018.

We are looking forward to continuing our journey together with you.

Frankfurt am Main, in September 2019

Manfred Hillenbrand Tobias Meibom

THE GATEWAY SHARE

STOCK MARKETS

In the first half of 2019, the stock markets in the USA and Europe coped well the global uncertainties (see chapter "*Market environment/macroeconomic situation*") triggered by the trade dispute between the USA and China. As a result of, among other things, the positive impact from the interest rate signs set by the central banks and the low inflation rates, there were a positive development and a recovery of the global capital markets and, in some cases, even historically strong developments of major indices. In Germany, the DAX performed well with a growth of more than 17 per cent, thus exhibiting one of the best half years of the last 12 years according to Deka. The MDAX rose by around 18 per cent and the SDAX grew by more than 19 per cent in the first six months of 2019. The shares of European real estate companies also largely developed favourably between January and the end of June 2019, with the FTSE EPRA/NAREIT Europe Index growing by almost 7 per cent in the first six months of 2019.

German real estate stocks, primarily owners of residential housing with a rental portfolio in Berlin, were partially faced with stock price declines and a deceleration of the stock price growth at the beginning of June 2019 after the Berlin senate had announced it would freeze rents in Berlin for a period of five years by introducing a so-called "rental cap" (see chapter "*Report on expected developments, risks, and opportunities*"). The resulting uncertainties partially had a spill-over effect to the entire sector and tainted the otherwise largely very positive development of leading German real estate stocks in the last month of the first half of 2019. The EPRA Germany Index closed the first half of 2019 with a loss of 1.1 per cent.

PERFORMANCE OF THE GATEWAY SHARES

The performance of the GATEWAY shares in the first half of 2019 has to be viewed against the backdrop of the relevant changes that were made by Gateway Real Estate AG (in the following: "GATEWAY", "Company", "Association" or "Group") as a result of the successful capital increase, the issuance of new shares and the change from the over-the-counter (OTC) market of the Stuttgart Stock Exchange to the quality segment "Prime Standard" of the Frankfurt Stock Exchange. Until the successful admission to the Prime Standard of the Frankfurt Stock Exchange on April 12, 2019, the GATEWAY shares were exclusively listed on the OTC market of the Stuttgart Stock Exchange. GATEWAY is now an exchange-listed, publicly-traded company within the meaning of stock corporation and commercial law. The change of GATEWAY into the Prime Standard has been the first successful German IPO in the year 2019.

In the reporting period, the price range of the GATEWAY shares on all stock exchanges was between €3.22 and €5.36. Trading on the Prime Standard of the Frankfurt Stock Exchange commenced at an opening price of €4.195 and a closing price of €4.00 on April 12, 2019, while the price of the GATEWAY shares closed the first half of 2019 at €4.02 (Xetra closing price on June 28, 2019). The market capitalization of GATEWAY at the end of the first half amounted to approximately €750 million.

ANNUAL GENERAL MEETING AND DIVIDEND PAYMENT

After the reporting date, the first Ordinary Annual General Meeting of Gateway Real Estate AG since the Company's change from the Stuttgart Stock Exchange to the Prime Standard of the Frankfurt Stock Exchange was held on August 21, 2019. For the first time in the corporate history of Gateway Real Estate AG, a resolution was passed to distribute a dividend of €0.10 per qualifying no-par value share (a total of €18,676,404.00). It is the declared objective of GATEWAY for the future to grant the Company's shareholders an appropriate participation in its business performance.

Further important resolutions made by the Annual General Meeting were the election of Jan Hendrik Hedding and Marcellino Graf von und zu Hoensbroech to the Supervisory Board of Gateway Real Estate AG as well as the creation of a new Authorized Capital, the authorization to issue convertible bonds and/or bonds with warrants, and the signing of a profit transfer agreement between Gateway Real Estate AG and Development Partner AG.

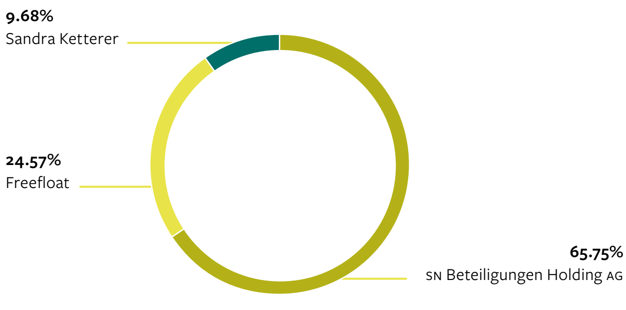
These and all other resolution proposals made by the Management Board and the Supervisory Board were approved by a large majority of the Annual General Meeting. Further information and details to the voting results of the Ordinary Annual General Meeting 2019 can be found on the Company's website under: https://gateway-re.de/en/investor-relations/annual-general-meeting/information-on-the-annual-general-meeting/

SHAREHOLDER STRUCTURE

The first half of 2019 was characterized by a substantial broadening of GATEWAY's shareholder base due to a significant increase in free float. In the context of a successful capital increase, on April 10, 2019, GATEWAY placed 16,895,939 million new shares to institutional investors by means of an international private placement at a placement price of €4.00 per share, while subsequently another 82,610 shares were offered to the existing shareholders for subscription. The number of no-par value shares issued thus increased by around 10 per cent to 186,764,040 (December 31, 2018: 169,785,491 no-par value shares in issue). In addition, GATEWAY shares held by the main shareholder in the amount of around 15% of the share capital following the capital increase were sold to institutional investors.

The free float increased significantly as a result of these measures and amounted to 24.57 per cent as of June 30, 2019 (December 31, 2018: 0.5 per cent). The largest shareholder as of the reporting date (June 30, 2019) is SN Beteiligungen Holding AG with a holding of 65.75 per cent (December 31, 2018: 87.5 per cent).

SHAREHOLDER STRUCTURE
as of June 30, 2019



SHARE INFORMATION

ISIN	DE000A0JJTG7
WKN	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, Dusseldorf, Munich, Berlin, Hamburg, Stuttgart
Designated Sponsor	Credit Suisse
Opening price* (April 12, 2019)	€4.195
Closing price* (June 30, 2019)	€4.02
Highest price* (June 4, 2019)	€4.20
Lowest price* (June 4, 2019)	€3.47
Market capitalization* (June 30, 2019)	€750.8 million

* XETRA prices | The listing in the Prime Standard of the Frankfurt Stock Exchange and the admission to XETRA trading took place on April 12, 2019.

INVESTOR RELATIONS ACTIVITIES

As a result of the admission of the Gateway Real Estate share to the regulated market of the Frankfurt Stock Exchange (Prime Standard), both the visibility of the GATEWAY share and the transparency requirements applicable to the Company increased. The significant expansion of the group of shareholders (see chapter "*Shareholder structure*") also required intensifying GATEWAY's Investor Relations activities. Prior to the initial public offering for the admission to the Prime Standard and in connection with the capital increase, GATEWAY's management team expanded its roadshow activities and held meetings with national, European and U.S. investors, including a roadshow in New York. Additional IR activities are scheduled for the second half of 2019.

After the reporting date, Sven Annutsch became Head of Investor Relations and Corporate Finance at Gateway Real Estate AG as of August 1, 2019.

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Information on the GATEWAY share, dates and documents concerning important company activities can be found in the Investor Relations section on the Company's website: https://gateway-re.de/en/investor-relations/

INTERIM GROUP MANAGEMENT REPORT

1. FUNDAMENTAL INFORMATION ON THE COMPANY AND STRATEGY

Gateway Real Estate AG (in the following referred to as "GATEWAY", "Association", "Company" or "Group" – always referring to the entire Gateway-Group) is one of the leading exchange-listed developers of commercial and residential properties in Germany. In this context, GATEWAY and its subsidiaries focus on the top 7 locations in Germany (Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich, and Stuttgart) as well as selected high-growth regions. In addition, the existing business of portfolio management of commercial real estate will be continued.

GATEWAY was able to massively expand not only its size, but also the geographical scope of its operations due to the acquisition of Development Partner AG in 2018, while the focus of its business activities was already switched from standing asset business to the development of properties for the commercial sector, in particular office properties and inner-city commercial buildings, in the first six months.

This strategic focus of the Company has been highlighted above all by the sale of a standing asset portfolio for a price of around €242 million which was announced in August 2019.

Gateway Real Estate follows a holistic approach for property development which covers the most important steps in the value creation chain of a development project. These steps are:

— identification, procurement, and acquisition of properties and land
— planning and management of the development processes and obtaining permits, licenses, and approvals
— marketing and sale of properties, mainly to institutional investors
— coordination of construction activities
— providing asset and property management services after completion of a development project

As of June 30, 2019, GATEWAY has a diversified development pipeline with a total project development volume of around €5 billion (including companies accounted for using the equity method).

2. MARKET REPORT

2.1 MARKET ENVIRONMENT/ MACROECONOMIC SITUATION

CURRENT DEVELOPMENT

The ongoing conflict between the major economies USA and China continues to cause unease among globally operating companies. As an export-based economy, Germany is also affected by the unease. While exports rose by 0.5% compared to the comparable prior-year period to €666.1 billion in the first half of 2019, according to the German Federal Statistical Office the figure in June 2019 was down a full 8% over June 2018. According to the International Monetary Fund IMF, Germany's economic growth in the first quarter of 2019 amounted to 0.8% year-on-year, which was below the EU average of 1.6% (EU28). According to its forecast from May 2019, the German Federal Statistical Office predicts another decease of the German economy in the second quarter of 2019 by 0.1% compared to the previous quarter.

FORECAST

As a result of the various uncertainties, a recession cannot be ruled out completely. The unpredictable Brexit development also causes uncertainty; in case of a no-deal, so-called "hard", Brexit, the potential introduction of tariffs would have a strong impact on the German economy. According to the Federal Statistical Office, the German-British trade has been declining considerably since the beginning of the year.

However, the forecast for the German economy for the years to come is positive despite all the uncertainties. After a projected growth of the price-adjusted gross domestic product by 0.5% for 2019, the German Ministry of Economic Affairs expects growth to amount to 1.5% for 2020.

Economic researchers also consider the global economy's development to be positive. In April 2019, the IMF projected a growth of 3.6% per year on average until 2024.

2.2 SOCIODEMOGRAPHIC DEVELOPMENT

At the end of 2018, around 83 million people lived in the Federal Republic of Germany; the population thus has grown for the seventh consecutive year. The growth of approximately 0.3% is solely based on a migration surplus, i. e. more people move to Germany than from Germany to foreign countries. This migration surplus of 386,000 people also significantly offsets the birth deficit of 147,000. These were the conclusions of the German Federal Statistical Office at the end of June 2019.

However, the population has not developed homogeneously, but has been characterized by a significant west-east gap. While the population in the states of former West Germany (excluding Berlin) grew by 0.3% in 2019 over 2018, it declined by 0.2% in the new German states in the same period. Brandenburg is currently benefiting strongly from people moving from Berlin and, consequently, is the only Eastern German state exhibiting a growth in population.

According to the current mean forecast variant, Germany's population is expected to grow by almost 300,000 to 83.3 million people by 2030. According to Destatis data, this corresponds to a growth of approximately 0.3%. In contrast, the seven largest cities of Germany (top 7 cities: Berlin, Hamburg, Munich, Stuttgart, Frankfurt am Main, Cologne, Dusseldorf), with an expected growth of 6.1% or around 620,000 people until the year 2030, according to their respective statistical offices, have significantly higher growth projections than the average for Germany. This is due to the continuing megatrend of urbanization. In 2018, already 77% of the German population lived in cities or urban agglomerations; according to the forecast by the German Foundation for World Population (May 2018), this percentage will rise to approximately 84% in the year 2050.

Apart from the population figure, the development of the number of households in particular is a key relevant measure for the residential property market. In addition to the megatrend of urbanization, other developments within the society – such as higher life expectancy and an increasing number of one-person households (especially in major cities) – contributes to a larger demand of residential units. This also becomes apparent in the changes of these figures in Germany: While, according to Destatis, the population increased only by 1.2% between 2008 and 2018, the number of households was up 3.2% in the same period.

2.3 ECONOMIC DEVELOPMENT IN GERMANY AND TARGET CITIES

The German economy's fundamentals remain positive, despite the possibility of a recession. Although growth has slowed down in recent months, the German GDP has been increasing for years. After a subdued fourth quarter of 2018 (+/- 0.0% compared to the previous quarter), the German GDP grew by 0.4% in the first quarter of 2019, the Federal Statistical Office reported at the end of May 2019. According to the forecast of the German Ministry of Economic Affairs in February, economic growth for 2019 is expected to be 0.5%. The low projection for 2019 is influenced by the weak fourth quarter of 2018 and the low statistical overhang associated therewith. The growth rate expected for 2020 is 1.5%.

At the end of May 2019, the number of people in employment subject to social security contributions was at around 33.4 million, thus nearly 550,000 people more than in the previous year.

The top 7 cities were characterised by an even higher growth in employment: The average growth in the number of employees between 2017 and 2018 was 2.9%, whereas the number of people in employment in Germany as a whole rose only by 2.0% in the same period, as the German Federal Employment Agency noted.

Parallel to this growth in employment figures, the unemployment rate is declining in Germany. In July 2019, the unemployment rate was 5.0%, thus 0.1 percentage points below the previous year's figure. A decade ago, the rate had been 8.2%. The average unemployment rate of the top 7 cities was 5.9% in July 2019, which is slightly above the figure for Germany as a whole. Berlin and Cologne have the highest unemployment rate (8.0%), while Munich with a rate of 3.4% has the lowest rate.

Germany's inflation rate in July 2019 was 1.7% (Federal Statistical Office) and is slowly getting closer to the ECB's 2.0% target that is deemed appropriate for a sound economic development. In the eurozone, however, the inflation rate continues to decline and, according to Eurostat, reached a historical low of 1.0% in July 2019, after 2.2% a year earlier.

2.4 DEVELOPMENT OF REAL ESTATE MARKETS

OFFICE MARKET

The economic conditions continue to have a positive effect on the German office property markets. Owing to the substantial economic growth and the increasing employment numbers, the demand for office space has been increasing steadily in the past years.

In 2018, the office property market again was the segment with the highest demand for investments (around 47.1%) in the commercial real estate market, according to the German Property Federation's (ZIA) spring report. In terms of space take-up, the lettable area amounted to a total of 6.1 million square metres (sqm) in 2018, which is roughly the same figure as in the record year 2017. The top 7 cities amounted to approximately 60% of take-up.

The vacancy rate was also down for the eighth time in a row, averaging 4.2% for the largest office markets in Germany (127 cities) in 2018. In around one third of these markets, the vacancy rate has slipped below 3.0% in the meantime, which corresponds to a full rental less a fluctuation reserve.

The office market in the top 8 office markets (including Berlin, Frankfurt am Main, Hamburg, Munich, Cologne, Dusseldorf, Leipzig, Essen, as defined by BNPPRE), as the office market for Germany as a whole, is characterised by declining vacancy rates, in spite of increasing construction activities. While at the end of the first half of 2017, approximately 5.4 million sqm of office floor space was vacant, that number fell by around 1.5 million sqm to almost 3.9 million within two years; the vacancy rate amounts to 4.1% at the end of the first half of 2019, thus slightly below the average for Germany as a whole for 2018.

The take-up in the first half of 2019 reached a new record level of nearly 2.0 million sqm in the top 8 office markets, which underlines the continued high demand for office space. According to a study conducted by BNP Paribas Real Estate in July 2019, the highest take-up was recorded in Munich (428,000 sqm) and Berlin (418,000 sqm); both cities also have the lowest vacancy rates across Germany (2.2% and 1.7%, respectively). Frankfurt am Main has the top rent of the top 8 office markets, amounting to €44.00 per sqm.

The volume of the office space under construction in the top 8 office markets between the first half of 2017 and the first half of 2019 increased by 88% to almost 3.9 million sqm as a result of strong demand.

Despite the increasing construction activity, the continued high demand will hardly be met in 2019 as well. New space that can be made ready for occupancy in the very short term is scarce and therefore much more in demand.

RETAIL MARKET

Due to the continued good situation on the employment market and an income expectancy that continues to be viewed positively by consumers as well as the persisting low interest rate environment which does not encourage savings, the framework for the German retail market remains sound. However, the share of the retail sector in private consumption in 2018 was declining – like in previous years. Areas that record steadily increasing shares are, for example, out-of-home consumption, living, mobility and holiday trips, the ZIA reported in its spring report 2019.

Nevertheless, according to BNP Paribas Real Estate (August 2019), the sum total of retail space rose slightly by 0.6 percent year-on-year and amounted to around 119.8 million sqm at the end of 2018. According to the ZIA report, this growth is primarily due to modernisations and relocations in food retailing and the hardware store market as well as the expansion in the areas of pharmacies, organic retailing and hardware stores.

Despite this moderate revenue growth, the momentum on the rental market remains unchanged. In this context, the momentum of the rental market is increasingly focused on city centres and city district centres.

Beside the slight increase in the total retail space in 2018, revenue of the brick-and-mortar retail trade grew also in nominal terms by around 1.0% to €419.7 billion. However, the main driver for the German retail sector in 2018 was e-commerce which recorded a growth of 9.0% according to the German Property Federation's (ZIA) spring report.

The rents for new contracts in the German retail sector increased by approximately 9.5% between 2003 and 2018 according to research firm vdp Research. Since then however, the average figure has decreased and, in the second quarter of 2019, was 0.2% below the 2018 figure.

While the prime rents in the top 7 cities also remain on a high level in the first half of 2019, the first marginal declines can be observed here. Munich, the leading city, remains unchanged at a peak of €370 per sqm, while the top rent in Berlin, according to a study conducted by BNP Paribas Real Estate (August 2019) decreased from €320 per sqm in the first half of 2018 to €300 in the first half of 2019.

For the year 2019, the German Property Foundation expects total revenue of the German retail sector (both brick-and-mortar business and distance selling) to amount to around €489.4 billion, equating to a nominal growth of 1.8%.

Despite this overall positive forecast for the German retail market, a radical transformation is emerging which is advanced by the continued digitization and the further changing consumer behaviour and which will present massive challenges for the brick-and-mortar business.

RESIDENTIAL REAL ESTATE MARKET

In the first half of 2019, according to the German Federal Statistical Office, the construction of approximately 165,000 apartments was granted approval in Germany (new buildings as well as construction activities in existing buildings), corresponding to a decline of 2.3% compared to the prior-year period.

An analysis of only the apartments in newly constructed residential properties shows that the number of building permits even has decreased by 3.1% to around 142,000 apartments.

In contrast, the number of completed construction projects (new buildings as well as construction activities in existing buildings) has been increasing continuously. In 2018, a new record high of 287,000 apartments was achieved, which is approximately 57% higher than the figure achieved in 2011, the statistical offices of the federal and state governments reported.

Despite the increasing number of completed construction projects, the demand for residential space remains on a high level. This is corroborated by the active-market vacancy rate in Germany which has been declining for 11 years. According to the vacancy index 2018 published by CBRE-empirica, the vacancy rate at year-end 2017 was 2.9% for Germany as a whole, which represents a new record low. The lowest rates are recorded in Munich (0.2%) as well as Münster, Frankfurt am Main and Freiburg (0.4% each).

According to the index of the Association of German Pfandbrief Banks (Verband Deutscher Pfandbriefbanken, vdp), the price for owner-occupied residential properties in Germany increased by 41.5% between 2010 and 2018. In the top 7 cities, growth was almost twice as high (80.7%).

Between 2008 and 2017, the annual growth rate of the top 7 cities was, on average, 3.5% higher than that of Germany as a whole; in 2018, the rate was only 0.3 percentage points higher. In the first two quarters of 2019, the growth rate across Germany even exceeded the figures recorded for the top 7 cities. This suggests that large price increases in the major German cities are coming to an end. The strongest price development can be witnessed in Berlin where growth rates in the first two quarters of 2019 exceeded the 5% threshold, followed by Frankfurt am Main and Munich.

The development of rental prices for new tenancies show a similar picture. The strong performance of the top 7 cities is gradually weakening and was topped by the overall price increase in Germany in the first two quarters of 2019. The German capital again holds the pole position regarding growth rates in the first two quarters 2019, followed by Cologne.

According to the housing demand model designed by the German Economic Institute (Institut der deutschen Wirtschaft, IW), published in July 2019, approximately 342,000 new apartments will be needed in the years 2019 and 2020. While construction activities have steadily increased in recent years, the increase is not sufficient to meet the equally higher demand. Between 2016 and 2018, only 83% of the demand was satisfied, and only 71% in the top 7 cities. Due to the high capacity utilization within the construction industry, the lack of skilled professionals in the construction industry and the lengthy planning processes, a turnaround cannot be expected in the coming years.

EFFECTS ON GATEWAY'S STRATEGY AND BUSINESS ACTIVITIES

The described economic, sociodemographic and industry-specific developments and projections are seen by Gateway Real Estate AG as a confirmation to continue on its current path. The new construction activity, which exceeds the space requirements in the German metropolitan areas, at the same time low vacancy rates in the existing portfolios and a growing population are positive factors for GATEWAY's strategic positioning towards the development of properties for the commercial sector, with a focus on Germany's growing top 7 cities.

3. FINANCIAL PERFORMANCE, NET ASSETS, AND CASH FLOWS

3.1 FINANCIAL PERFORMANCE

The presentation of the financial performance and the period-based performance indicators within the scope of these interim consolidated financial statements as of June 30, 2019, does not include a comparison with the corresponding prior-year period since such a comparison would not provide meaningful information due to the acquisition of Development Partner AG in the second half of 2019 and the related fundamental change in the company structure. As a result of the so-called reverse acquisition as of October 5, 2018, the transaction can be classified as an acquisition of GATEWAY by Development Partner AG in economic terms. Therefore, the figures for the first half of 2018 only include the subgroup of Development Partner AG.

Revenues generated by Gateway Real Estate AG in the first half of 2019 amounted to a total of €19.6 million. The two major components of revenue are rental revenues in the amount of €11.1 million (approx. 57%) as well as revenues from the sale of inventory properties in the amount of €4.9 million (approx. 25%). **Total operating revenue**, including **changes in inventory** in the amount of €34.9 million as well as other operating income of €1.8 million, amounted to €56.3 million.

The **cost of materials** amounted to €24.9 million in the reporting period and comprises mainly production costs of inventory properties (€13.0 million), acquisition costs for the Stuttgart technology campus (€6.9 million) as well as management costs for the leased properties (€4.6 million). **Personnel costs** amounted to €5.6 million. The **result from the fair value adjustment** of investment properties amounted to €9.1 million and referred to an external measurement of all standing assets as of June 30, 2019. **Other operating expenses** totaled €12.3 million and were primarily attributable to higher legal and consulting costs as well as accounting, closing and auditing expenses that were incurred, among other things, in the context of the initial public offering. In addition, a tenant brokerage commission of €2.9 million was incurred for letting the Stuttgart technology campus. This resulted in an **operating profit** for the first half of €22.3 million.

The **financial result of the reporting period** amounted to €–17.4 million and includes interest expenses in the amount of €–18.2 million that are mainly the result of borrowings raised to finance development projects as well as standing assets. The interest expenses are offset by results from associates and interest income of €0.4 million each.

The **profit (loss) before income taxes (EBT)** amounted to €4.9 million. After deducting income taxes of €3.1 million, **consolidated profit (loss)** amounted to approximately €1.8 million in the first half of 2019. This corresponds to earnings per share of €0.01 (basic and diluted).

3.2 NET ASSETS

The **assets** of the Gateway Group totaled €841.7 million as of June 30, 2019, which corresponds to an increase by 5.4% compared to the reporting date of the previous fiscal year (€798.6 million). The sum total of **non-current assets** of €111.9 million was significantly below the figure reported as of December 31, 2018 (€328.6 million), primarily due to the planned sale of the standing asset portfolio of 21 commercial properties. In contrast, the sum total of **current assets** of €729.7 million was considerably higher than on the prior year's reporting date (December 31, 2018: €470.0 million).

These changes are largely attributable to the reduction of investment properties as well as the increase in non-current assets held for sale and in inventories which reflects the Group's strategic orientation and its focus on real estate project development.

Accordingly, the value of the **investment properties** held by the Group as of the reporting date amounted to only €8.3 million, after €238.2 million as of December 31, 2018. In turn, the value of **assets held for sale**, which was €35.6 million as of the end of the previous fiscal year, amounted to €276.2 million.

The value of **inventories** increased from €342.7 million as of December 31, 2018, to €377.6 million, primarily due to the real estate project development activities.

The balance of **cash and cash equivalents** amounted to €34.7 million as of June 30, 2019, with the decline compared to the reporting date of the previous year (December 31, 2018: €73.9 million) largely being attributable to the repayment of loans as well as purchases.

The Group's **non-current liabilities** amounted to €287.8 million as of the reporting date (December 31, 2018: €421.9 million); the major portion of that amount is attributable to **non-current financial liabilities** of €270.7 million (December 31, 2018: €398.4 million).

Current liabilities totaled €337.4 million as of June 30, 2019 (December 31, 2018: €228.3 million). Of that amount, €170.8 million was attributable to **current financial liabilities** (December 31, 2018: €191.7 million) and €139.5 million to **liabilities directly connected with non-current assets held for sale**. The latter item is attributable to the reclassification of financial liabilities of the sold standing asset portfolio and, accordingly, did not exist as of the end of the previous year.

These changes on the liability side reflect the decision taken by the Group in the context of the strategic positioning to currently reduce its holdings of investment properties and to focus on its project development business.

The Gateway Group's **equity** as of June 30, 2019 amounted to €216.5 million (December 31, 2018: €148.4 million). This increase is largely the result of the capital increase in the first half. Accordingly, the **Group's equity ratio** rose significantly from 18.6% at the end of the prior year to now 25.7%.

3.3 CASH FLOWS

The cash flow statement shows a net decrease in cash and cash equivalents by €29.2 million in the first half of 2019. Cash and cash equivalents declined from €73.9 million as of December 31, 2018 by €39.2 million to €34.7 million as of June 30, 2019; of that decline, an amount of €10.0 million is attributable to changes in the consolidation group.

The material cash outflows primarily include the repayment of borrowings (€79.9 million) recorded in the cash flows from financing activities as well as the costs for the purchase of project developments (€11.3 million) and the assumption of loans in connection with purchases (€11.4 million), both reported in the cash flows from financing activities. The cash flows from operating activities are dominated by capitalized project development costs (€34.1 million), prepayments for purchases (€10.7 million), and interest payments (€6.3 million).

This is offset by material cash inflows such as the capital increase (€67.6 million), new borrowings (€38.9 million) as well as purchase price payments for standing assets (€12.4 million).

4. REPORT ON RISKS AND OPPORTUNITIES

4.1 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 hamper the implementation of its strategy and jeopardize the achievement of its corporate goals. These risks arise to a large degree from potential changes in the social, political, legal, economic, and technical framework. However, within the context of risk and opportunity management, changes may also present the possibility to identify new business opportunities and to generate additional economic success.

In order to early identify, monitor and evaluate risks that are common for the industry, Gateway Real Estate AG is currently expanding its risk management system which takes into account the changes introduced to its Group structure and the realignment of its business model following the acquisition of Development Partner AG in the second half of the fiscal year 2018 and complies with the applicable legal requirements set out in the German Stock Corporation Act (Aktiengesetz – "AktG") and the Law on Control and Transparency in Business (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – "KonTraG") as well as, at the turn of the year 2019/2020, the provisions of the German Corporate Governance Code.

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.

RISK REPORT AND INDIVIDUAL RISKS

The risks that GATEWAY is exposed to in its business activities can be allocated on the one hand to the area of general economic and cyclical developments and on the other hand to industry-specific trends within the real estate sector. Such risks cannot be influenced by the Company itself, but are rather attributable to political and economic developments on a global and national scale which might have an impact on key influencing factors for the business performance of GATEWAY. These influencing factors include, for example the development of inflation and interest rates, and of income and purchasing power of the population as well as changes in the legal and tax framework and in the balance between supply and demand on the real estate markets that are relevant for GATEWAY.

In the following, we present individual risks that may have an impact on the group's financial position and performance, with a distinction being made between property-specific and company-specific risks.

4.2 PROPERTY-SPECIFIC RISKS

TRANSACTION RISK

As a developer of commercial and residential properties operating across Germany focusing on the top 7 locations and selected high-growth regions, the acquisition of new plots of land and development projects as well as the sale of completed projects are integral parts of GATEWAY's business activities. The Company generates the major part of its revenues from the sale of development projects. If planned sales transactions do not materialize, the Company might incur, on the one hand, additional management and marketing costs as well as unplanned subsequent costs and, on the other hand, there might be a loss of budgeted income. If planned purchases of land plots or development projects do not materialize, the Company's earnings potential could also be reduced.

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

In order to avoid or minimize transaction risks, GATEWAY has determined internal rules for the conduct of due diligence processes in the course of property acquisitions and is managed by an experienced management team.

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 debt is addressed through a structured receivables management process.

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 have an impact on the demand for lettable space as well as the market rent levels. Such a development may have a negative impact on the letting situation and thus on the development of rental revenues. Gateway Management Board sees no heightened risk for the Gateway Group's current rental portfolio.

ENVIRONMENTAL RISK AND RISK FROM CONTAMINATED SITES

Within the context of the acquisition of properties, the Group is exposed to the risk 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 assets, 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 do not currently indicate any increased environmental or contaminated site risks.

PROJECT DEVELOPMENT RISKS

A number of specific risks arise in connection with the project developments realized by GATEWAY. Firstly, these risks refer to the situation that the Company 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 significant impact on GATEWAY's asset, financial position and performance. In light of this, 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 analysed 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 sees no heightened development project risk in GATEWAY's current project portfolio.

4.3 COMPANY-SPECIFIC RISKS

FINANCING RISK

In order to finance the acquisition of new plots of land and the realization of its 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.

Financing risks may have a significant impact on the Gateway Group's asset, financial position and performance and, under an extreme scenario, could jeopardize the continued existence of the Company.

GATEWAY meets these risks by continuing to diversify its instruments and sources of financing.

LIQUIDITY RISK

If the Company cannot meet its payment obligations when due owing to a lack of liquidity, this could have a substantial negative impact on the business activities and the economic situation of the Company. Monitoring liquidity development and liquidity management is therefore a major focus of the overall corporate management.

TAX RISKS

Tax risks may result from tax-relevant matters that are not taken into consideration or from the filing of incorrect tax documents, but they may also be the result of changes in tax legislation. This can lead to higher tax burdens for the Company and hence additional outflows of liquidity. In addition, changes in the tax framework for the Company or its potential customers may exacerbate the Company's operating activities or make them less viable in economic terms.

LEGISLATION RISKS

The business activities of GATEWAY are influenced by changes in the legal framework and applicable laws and regulations. These may lead to higher expenses, lower income, or financial risks.

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 period or staff turnover or that young professionals cannot be acquired to a sufficient extent and that existing vacancies cannot be filled.

LITIGATION RISKS

There is the general risk that GATEWAY has to enter into legal disputes within the scope of its business activities. In this context, the Company may incur additional expenses for legal advice, court costs, or settlements.

IMAGE RISK

GATEWAY is faced with expectations and requirements of various stakeholder groups within the context of its business activities. In this connection, it may be the case that the Company is presented in a negative way in the media or the public which may do harm to its brand and may have a negative influence on its business activities.

This risk may entail political responses and later legislative risks, as is currently observed in Berlin. Following a broad public debate on affordable housing and rising rents, the Social Democrat-Left Party-Green Senate is discussing a rental law for Berlin that would cap rents and therefore suspend increases in rent for five years. At present, this is a draft bill that is under discussion and not yet a concrete law. In the current draft, new housing is excluded from the "Berlin rent cap"; it does not apply to office, commercial or retail areas. The socio-demographic developments, strong dynamics of growth and the continuing demand for space in the face of insufficient new construction and low vacancy rates in existing properties (see chapter *on the market environment/macroeconomic situation*) do not currently give the Gateway Management Board any reason to reconsider its investment decisions in Berlin. Nor does the share of residential projects in Berlin play a significant role within the Gateway project portfolio, thus the Management Board does not see any uptick in the risk for its business activities due to the developments in Berlin.

IT RISKS

As part of its business activities and the corporate management of GATEWAY, the use of IT systems and the processing of data play a central role. There is the risk that data may be corrupted or are lost due to application errors or external interventions and that IT systems cannot be used as intended.

4.4 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 considers the risk situation as being stable in comparison with the previous fiscal year.

4.5 REPORT ON OPPORTUNITIES

GATEWAY is one of the leading developers of commercial and residential properties and focuses its business activities across Germany on the top 7 locations and high-growth regions with a strong demand for high-quality properties. The parallel activities in the two property asset classes "Commercial" and "Residential" as well as the regional presence in various locations within Germany present the opportunity to react to changes in the demand at specific locations and cyclical market developments within individual asset classes with more flexibility than would be possible if there was a stronger regional concentration or a restriction on a particular asset class.

The strong dynamic of socio-demographics and economic growth in Germany's top seven cities provides an opportunity for a further increase in demand for the property types developed by GATEWAY in these cities. On the other hand, according to their respective statistical offices, with growth of 6.1% or around 620,000 persons by 2030, the top seven cities in Germany (Berlin, Hamburg, Munich, Stuttgart, Frankfurt am Main, Cologne, Düsseldorf) have significantly higher forecasts for growth than the national average. In terms of employment growth, the top seven cities are also developing well above the national average (more details in the chapter on the market environment/macroeconomic situation).

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 Real Estate AG may benefit from opportunities for equity and/or debt financing via the capital market.

5. REPORT ON EXPECTED DEVELOPMENTS

For the fiscal year 2019, the Management Board expects a significant increase in the adjusted EBIT compared to the fiscal year 2018. Adjusted EBIT is an important indicator for GATEWAY and includes the operating result plus the result from associated companies.

The sales already completed successfully in the first half of 2019 as well as the contracts concluded after the reporting date confirm the view of Gateway's Management Board. A turnaround is not expected due to the positive economic and industry-specific framework.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2019

IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2019

ASSETS

in € thousand	Note	30.06.2019	31.12.2018
Non-current assets			
Intangible assets	6.1	39,895	39,900
Property, plant and equipment		2,651	469
Investment properties	6.2	8,310	238,197
Investments accounted for using the equity method	6.3	45,872	35,668
Other non-current financial assets		13,478	9,570
Deferred tax assets		1,740	4,826
		111,946	**328,630**
Current assets			
Inventories	6.4	377,568	342,736
Trade receivables		1,113	1,810
Current income tax receivables		703	652
Other financial assets		24,654	11,740
Other non-financial assets		14,762	3,527
Cash and cash equivalents	6.5	34,719	73,931
Assets held for sale	6.6	276,217	35,590
		729,736	**469,986**
		841,682	**798,616**

EQUITY AND LIABILITIES

in € thousand	Note	30.06.2019	31.12.2018
Equity			
Subscribed capital	6.7	186,764	169,785
Additional paid-in capital	6.7	-22,894	-73,266
Accumulated comprehensive income	6.7	49,922	49,313
Non-controlling interests	6.7	2,729	2,593
		216,521	**148,425**
Non-current liabilities			
Other non-current provisions		565	639
Non-current financial liabilities	6.8	270,714	398,449
Deferred tax liabilities		14,292	22,831
Other non-current financial liabilities		2,209	–
Other non-current non-financial liabilities		–	5
		287,780	**421,924**
Current liabilities			
Other current provisions		9,539	3,619
Current financial liabilities	6.8	170,792	191,663
Current income tax liabilities		4,532	4,263
Trade payables		7,833	10,587
Other financial liabilities		2,366	3,137
Other non-financial liabilities		2,862	14,998
Liabilities directly connected with assets held for sale	6.9	139,457	–
		337,381	**228,267**
		841,682	**798,616**

IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

FROM JANUARY 1 TO JUNE 30, 2019

in € thousand	Note	01.01.– 30.06.2019	01.01.– 30.06.2018	01.04.– 30.06.2019	01.04.– 30.06.2018
Revenues	6.10	19,632	5,632	8,021	2,604
Changes in inventory	6.11	34,894	17,557	26,628	10,659
Other operating income	6.13	1,791	13,917	835	13,859
Gross profit		**56,317**	**37,106**	**35,484**	**27,122**
Cost of materials	6.12	-24,949	-5,024	-16,704	-3,156
Personnel costs		-5,637	-3,482	-3,137	-1,632
Result from the fair value adjustment of investment properties		9,147	–	7,377	–
Amortization of intangible assets and depreciation of property, plant and equipment		-287	-383	-137	-368
Other operating expenses	6.13	-12,296	-1,705	-7,585	-725
Operating profit		**22,295**	**26,512**	**15,298**	**21,241**
Share in the profit (loss) of investments accounted for using the equity method, after taxes		366	-36	342	-36
Interest income		446	263	234	156
Interest expenses		-18,237	-13,188	-8,671	-6,582
Financial result	6.14	**-17,425**	**-12,961**	**-8,095**	**-6,462**
Profit (loss) before income taxes		**4,870**	**13,551**	**7,203**	**14,779**
Income taxes	6.15	-3,109	-1,711	-2,611	-1,693
Consolidated profit (loss)		**1,761**	**11,840**	**4,592**	**13,086**
Total comprehensive income		**1,761**	**11,840**	**4,592**	**13,086**
thereof attributable to shareholders of the parent company		1,787	11,281	4,623	12,882
thereof attributable to non-controlling interests		-26	559	-31	204
Earnings per share (basic)	6.16	0.01	0.53	0.03	0.61
Earnings per share (diluted)	6.16	0.01	0.53	0.03	0.61

IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2019

in € thousand	Note
Balance as of 31.12.2017	
Profit/loss	
Changes in the scope of consolidation	
Other	
Balance as of 30.06.2018	
Balance as of 31.12.2018	
Profit/loss	
Capital increase	6.7
Issue costs	6.7
Changes in the scope of consolidation	
Other	
Balance as of 30.06.2019	

	Equity attributable to the shareholders of the parent company					
	Subscribed capital	Additional paid-in capital	Accumulated comprehensive income	Total	Non- controlling interests	Total equity
	21,175	**-20,601**	**16,173**	**16,747**	**405**	**17,152**
	–	–	11,281	11,281	559	11,840
	–	–	-516	-516	-26	-542
	–	-14	–	-14	–	-14
	21,175	**-20,615**	**26,938**	**27,498**	**938**	**28,436**
	169,785	**-73,266**	**49,313**	**145,832**	**2,593**	**148,425**
	–	–	1,787	1,787	-26	1,761
	16,979	50,935	–	67,914	–	67,914
	–	-563	–	-563	–	-563
	–	–	-947	-947	–	-947
	–	–	-231	-231	162	-69
	186,764	**-22,894**	**49,922**	**213,792**	**2,729**	**216,521**

IFRS CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2019

in € thousand	Note	**01.01.– 30.06.2019**	01.01.– 30.06.2018
Cash flows from operating activities			
Total comprehensive income		1,761	11,840
Adjustments for:			
Depreciation of property, plant and equipment		280	35
Amortization of intangible assets		7	–
Impairment of trade receivables		41	-17
Changes in fair value of investment properties	6.2	120	–
Changes in fair value of non-current assets held for sale (properties)	6.6	-9,267	–
Share in the profit (loss) of investments accounted for using the equity method, after taxes	6.3	-366	13
Other non-cash expenses/income		366	–
Net financing expense	6.14	17,791	12,925
Profit (loss) from the sale of investments accounted for using the equity method		-465	-13,723
Profit (loss) from the sale of subsidiaries		-832	854
Tax expenses		3,109	1,711
Changes in:			
Inventories		-34,098	-60,325
Trade receivables and other receivables		3,990	-75
Non-financial assets		-14,960	-151
Trade payables and other payables		534	3,657
Non-financial liabilities		-8,759	-454
Other provisions as well as assets and provisions for employee benefits		5,846	269
Cash inflow from operating activities		-34,902	-43,441
Interest paid		-6,360	-4,676
Income taxes received		333	–
Income taxes paid		-673	-12
Cash flows from operating activities		**-41,602**	**-48,129**

in € thousand	Note	**01.01.– 30.06.2019**	01.01.– 30.06.2018
Cash flows from investing activities			
Interest received		736	263
Cash inflows from the sale of investments accounted for using the equity method		400	13,746
Cash inflows from the sale of non-current assets held for sale (properties)		12,420	–
Purchase of property, plant and equipment		-241	-16
Purchase of intangible assets		-2	–
Purchase of other financial assets		-15,741	-3,372
Purchase of associates accounted for using the equity method		-11,503	–
Cash flows from investing activities		**-13,931**	**10,621**
Cash flows from financing activities			
Cash inflows from other financial liabilities		38,941	144,146
Cash inflows from capital increase		67,914	–
Transaction costs in connection with the capital increase		-563	–
Transaction costs for loans and borrowings		–	-2,216
Fees for financial liabilities not utilized		-64	-618
Repayment of borrowings		-79,896	-88,015
Cash flows from financing activities		**26,332**	**53,297**
Net decrease in cash and cash equivalents		**-29,201**	**15,789**
Change in cash and cash equivalents due to consolidation group		-10,011	–
Cash and cash equivalents as of 01.01.	6.5	73,931	14,504
Cash and cash equivalents as of 30.06	6.5	**34,719**	**30,293**

IFRS-NOTES FOR THE HALF-YEARLY FINANCIAL REPORT AS OF JUNE 30, 2019

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 of commercial and residential properties for sale as well as the acquisition and long-term rental of commercial properties as investment properties.

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

The GATEWAY shares are listed on the Prime Standard of the Frankfurt Stock Exchange. In this respect, GATEWAY is a publicly-traded capital-market orientated company within the meaning of stock corporation and commercial law.

The interim consolidated financial statements as of June 30, 2019 were prepared by the Management Board on September 26, 2019 and released for publication.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 GENERAL INFORMATION

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

The Company's interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable as of June 30, 2019 (including the interpretations of the IFRS Interpretations Committee), as they have been endorsed by the European Union.

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

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

The estimates and assumptions applied in the preparation of the financial statements 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.

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

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

2.2 FIRST-TIME APPLICATION OF IFRS 16

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

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

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

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

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

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

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

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

Upon the transition to IFRS 16, the Group recognized additional right-of-use assets in property, plant and equipment and additional lease liabilities. All the effects from the first-time application of IFRS 16 are summarized as follows:

in € thousand	01.01.2019
Right-of-use assets in property, plant and equipment	2,848
Lease liabilities	2,816

Based on the operating lease obligations as of December 31, 2018, the reconciliation to the opening balance of the lease liabilities as of January 1, 2019, is as follows:

in € thousand	01.01.2019
Operating lease obligations as of 31.12.2018 (undiscounted)	3,021
Adjustment for short-term leases	26
Effect from discounting	179
Total lease liabilities as of 01.01.2019	**2,816**

Within the context of the first-time application of IFRS 16 as of January 1, 2019, right-of-use assets were capitalized in the amount of the lease liability, in accordance with the applicable option.

The following table shows the carrying amounts of the right-of-use assets as of June 30, 2019:

in € thousand	01.01.2019	30.06.2019
Right-of-use assets in land (heritable building right)	98	90
Right-of-use assets in buildings and leasehold improvements	2,593	1,987
Right-of-use assets in motor vehicles and multi-mode devices	156	167
Right-of-use assets from leases	**2,848**	**2,244**

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

2.3 SIGNIFICANT CHANGES IN THE SCOPE OF CONSOLIDATION

In the first half of 2019, the scope of consolidation in the Commercial Properties Development segment was expanded by Projektentwicklung Mediaspree in Berlin GmbH and Projektentwicklung Technologiecampus Großraum Stuttgart GmbH in which GATEWAY indirectly holds a stake of 94.9% each.

In addition, the scope of consolidation in the Residential Properties Development segment was expanded by S1 Rialto Quartier GmbH in which GATEWAY indirectly holds a stake of 90%.

Moreover, Casa Nova 2 GmbH and Casa Nova 3 GmbH are recognized as investments accounted for using the equity method for the first time in these interim financial statements.

There were no material disposals from the scope of consolidation in the first half of 2019.

3. ADDITIONAL DISCLOSURES CONCERNING FINANCIAL INSTRUMENTS

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

					30.06.2019
	Carrying amount				Fair value
in € thousand	Mandatorily at FVtPL	FVtOCI equity instruments	Financial assets – AmC	Other financial liabilities – AmC	
Financial assets measured at fair value					
Equity investments	–	552	–	–	552
Embedded derivatives	953	–	–	–	953
Financial assets not measured at fair value					
Trade receivables	–	–	1,113	–	1,113
Loans	–	–	24,370	–	24,370
Security deposits for leased office space	–	–	82	–	82
Miscellaneous other financial assets	–	–	12,176	–	12,176
Cash and cash equivalents	–	–	34,719	–	34,719
Financial liabilities measured at fair value					
Limited partners' share, non-controlling interests	151	–	–	–	151
Financial liabilities not measured at fair value					
Liabilities to banks	–	–	–	169,834	170,026
Liabilities to related companies	–	–	–	154,002	154,002
Liabilities under corporate bonds to related parties	–	–	–	70,789	72,419
Liabilities to third parties from corporate bonds	–	–	–	33,815	34,252
Loan liabilities to third parties	–	–	–	12,914	12,914
Trade payables	–	–	–	7,833	7,833
Other financial liabilities	–	–	–	4,575	4,575

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

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

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

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

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

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

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

There were no transfers between the levels in the reporting period.

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

in € thousand	Derivative financial instruments
Balance as of 01.01.2018	**4,361**
Losses recognized in interest expenses	-2,917
Additions	2,627
Balance as of 31.12.2018	**4,071**
Losses recognized in interest expenses	-3,118
Additions	–
Balance as of 30.06.2019	**953**

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

Derivative financial instruments

	Profit or loss	
in € thousand	Increase	Decrease
Balance as of 31.12.2018		
Anticipated fair market refinancing rate (1% change)	-853	1,095
Balance as of 30.06.2019		
Anticipated fair market refinancing rate (1% change)	-358	628

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

— With respect to the properties held by the Group, the Management Board must decide at every reporting date whether they should be held on a long-term basis to earn rentals or for capital appreciation or both or for sale. Depending on this decision, the properties are accounted for as land with unfinished and finished buildings intended for sale (inventories) or as non-current assets intended for sale, in accordance with the principles for investment properties, and measured at (amortized) cost or fair value, depending on the classification. We refer to Notes 6.2 and 6.6.
— The market values of investment properties are based on the results of independent experts engaged for this purpose. The appraisals are conducted in accordance with the discounted cash flow method based on expected future revenue surpluses (procedure of Measurement Level 3). Accordingly, factors such as future rental income and the valuation interest rate to be applied, which have a direct effect on the fair values of the investment properties, are estimated by GATEWAY in collaboration with the appraiser. We refer to Note 6.2.
— In accordance with IAS 34 in conjunction with IAS 12, the income tax expense is determined as of the end of the quarter on the basis of the best estimate of the weighted average income tax rate expected for the full fiscal year 2019. The tax rate projected for the full year is determined on the basis of the currently applicable corporate planning, taking into account various assumptions and estimates. Accordingly, there are uncertainties related to the interpretation of tax regulations. 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. Therefore, differences between the actual results and our assumptions as well as future changes in our estimates can occur, which may lead to changes of the taxable profit in future periods. We refer to Note 6.15.
— There is scope for discretion in determining the time and amount of revenue recognition in accordance with the principles of IFRS 15. If a binding sales contract already exists for a property under development, revenue recognition based on a time period in accordance with the estimated stage of completion can also be considered in addition to revenue recognition based on a specific point in time. This applies accordingly to revenue recognition for undertakings included in the financial statements using the equity method. We refer to Notes 6.3 and 6.10.
— The fair value of derivative financial instruments is estimated on the basis of an option price model recognized for this type of transaction, in the form of a binomial model. We refer to Note 3.

5. SEGMENT REPORT

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

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

— **Standing Assets:** This segment covers a profitable and diverse portfolio of existing properties. This portfolio comprises properties acquired prior to the acquisition of Development Partner AG in October 2018. The segment revenues consist primarily of rental income from the investment properties.
— **Commercial Properties Development:** The development activities for commercial properties are combined in the Commercial Properties segment. The objective of this segment is to develop attractive and high-quality office buildings with modern architecture and flexible usage formats. Geographically, these

activities are concentrated on the top 7 cities in Germany (i.e. Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart) and selected metropolitan areas such as Nuremberg.

— **Residential Properties Development:** In the Residential Development segment, the Group concentrates on development activities in selected metropolitan regions in Germany, mainly cities with a population of at least 100,000, such as Dresden, Berlin, Erfurt, Frankfurt am Main, Leipzig and Munich. The focus here is on the new construction of medium-sized apartment buildings for modern living and mixed-use properties and real estate. Joint ventures with local project developers and general contractors are regularly established in this segment. In future, however, the Group aims to develop the majority of its assets on its own. Although the size of the segment does not require any separate reporting, it has been included because it is considered a potential growth segment which is supposed to make considerable contributions to the Group's revenues in future.

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

Approximately 56% of revenues with third parties (external revenues) originate from rental revenues from investment properties or IFRS 5 properties (Standing Assets segment) and rental revenues from inventory properties (Commercial Properties Development segment). As a result of the so-called reverse acquisition as of October 5, 2018, the transaction can be classified as an acquisition of GATEWAY by Development Partner AG in economic terms. Projects in the area of residential property development have been largely made only since the beginning of the second half of 2018. Therefore, the statement of profit or loss for the first half of 2018 only includes the Commercial Properties Development segment.

					30.06.2019
in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
Revenues with third parties (external revenues)	15,365	4,267	–	–	19,632
Intersegment revenues (internal revenues)	–	–	–	–	–
Revenues	**15,365**	**4,267**	**–**	**–**	**19,632**
Segment result (operating profit)	10,229	10,348	2,112	64	22,753
Financial result	-3,453	-12,117	-1,855	–	-17,425
Profit (loss) before income taxes	6,776	-1,768	257	64	5,328

in € thousand	Standing Assets	Commercial Properties Development	Residential Properties Development	Consolidation	Group
					30.06.2018
Revenues with third parties (external revenues)	–	5,632	–	–	5,632
Intersegment revenues (internal revenues)	–	–	–	–	–
Revenues	**–**	**5,632**	**–**	**–**	**5,632**
Segment result (operating profit)	–	26,497	16	–	26,513
Financial result	–	-12,906	-55	–	-12,962
Profit (loss) before income taxes	–	13,562	-10	–	13,552

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

in € thousand	**Standing Assets**	**Commercial Properties Development**	**Residential Properties Development**	**Assets not allocated**	**Consolidation**	**Group**
						30.06.2019
Segment assets	385,765	394,266	104,605	39,881	-82,835	841,682
Segment liabilities	243,057	357,518	102,426	–	-77,840	625,161

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

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

6.1 INTANGIBLE ASSETS

Intangible assets can be broken down as follows:

in € thousand	30.06.2019	31.12.2018
Goodwill	39,881	39,881
Other intangible assets	14	19
	39,895	**39,900**

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

The goodwill acquired within the scope of the reverse acquisition of GATEWAY by Development Partner (€39,881 thousand) could not yet be allocated. This corresponds to the still provisional purchase price allocation, which is not deemed finalized but provisional within the meaning of IFRS 3.45 et seqq. since the investment properties (especially the April portfolio that was acquired only shortly before the reverse acquisition) were measured using provisional amounts. The reason for this is that, on the one hand, not all information relevant for an appropriate fair value measurement as of the acquisition date are available and, on the other hand, that measures to integrate the companies have not been completed.

6.2 INVESTMENT PROPERTIES

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

in € thousand	
Balance as of 31.12.2018	**238,197**
Reclassifications to assets held for sale	-229,767
Changes in market value	-120
Balance as of 30.06.2019	**8,310**

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

Company

- CE Bad Honnef S.à r.l., Luxembourg (formerly Gateway Sechste GmbH, Frankfurt am Main[1])
- CE Wilhelmshaven S.à r.l., Luxembourg (formerly Gateway Zwölfte GmbH, Frankfurt am Main[1])
- CE Abendsberg S.à r.l., Luxembourg (formerly Gateway Vierzehnte GmbH, Frankfurt am Main[1])
- GTY 1te Siegen GmbH & Co. KG, Eschborn
- GTY 1te Düsseldorf GmbH & Co. KG, Eschborn
- CE April 1 S.à r.l., Luxembourg (formerly Gateway Erste GmbH, Frankfurt am Main[1])
- GTY 1te Bünde GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Dresden GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Duisburg GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Hagen GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Hildesheim GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)

- GTY 1te Kassel GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Lübeck GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Lüdenscheid GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Lünen GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Minden GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Oberhausen GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Pfronten GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Rosenheim GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Stralsund GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 1te Wuppertal GmbH & Co. KG, Eschborn (accrued to Gateway Erste GmbH, Frankfurt am Main, as of August 19, 2019)
- CE April 2 S.à r.l., Luxembourg (formerly Gateway Fünfzehnte GmbH, Frankfurt am Main[1])
- GTY 15te Hamm GmbH & Co. KG, Eschborn (accrued to Gateway Fünfzehnte GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 15te Kassel GmbH & Co. KG, Eschborn (accrued to Gateway Fünfzehnte GmbH, Frankfurt am Main, as of August 19, 2019)
- GTY 15te Dresden GmbH & Co. KG, Eschborn (accrued to Gateway Fünfzehnte GmbH, Frankfurt am Main, as of August 19, 2019)

For these properties, a sale within 12 months is deemed highly probable or sales contracts exist. These properties are already being actively marketed, which is very promising due to the specific market situation for these properties. The selling price was used for properties where the transaction and the selling price already are reasonably certain. The fair values determined in the context of the appraisal as of June 30, 2019 were used for the remaining properties. Overall, this procedure led to a fair value adjustment of €-120 thousand for the remaining property.

In order to better estimate the effects from the future disposal of held-for-sale assets on income and expenses from operating activities arising, significant amounts recognized in the statement of profit or loss for the investment properties remaining as of June 30, 2019 are presented as follows:

in € thousand	Q1–Q2 2019	Q2 2019
Rental revenues	1,534	144
Revenues from operating costs, building-cost subsidies and cost charges to others	460	44
Administration costs (operating costs, maintenance, administration, etc.)	-813	-101
	1,181	**77**

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

The determination of the fair value was generally based on Level 3 input factors, i.e., factors not based on observable market data (unobservable input factors). Accordingly, the agreed selling prices are used for properties where the transaction and the selling price already are reasonably certain. 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).

[1] The companies were transformed into an S.à r.l. under the laws of the Grand Duchy of Luxembourg by means of a cross-border change in legal form while retaining legal identity.

6.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

in € thousand	Associates	Joint ventures	Total
Balance as of 31.12.2018	**12,787**	**22,881**	**35,668**
Additions	–	11,503	11,503
Disposals	–	-1,665	-1,665
Share in the profit (loss) of investments accounted for using the equity method (Q2)	622	-256	366
Balance as of 30.06.2019	**13,409**	**32,463**	**45,872**

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

The additions mainly comprise the acquisition of shares in Casa Nova 2 GmbH and Casa Nova 3 GmbH (€11,249 thousand).

6.4 INVENTORIES

The Group's inventories as of the reporting date consisted of the capitalized construction costs (including construction period interest) of inventory properties, which are measured at the lower of amortized cost or net realizable value in accordance with IAS 2. Construction period interest in the amount of €11,531 thousand was capitalized as part of the construction costs in the first half of 2019.

The total carrying amount of all inventory properties as of the March 31, 2019 was €377,568 thousand. Due to its focus on developing properties and the related sale of multiple inventory properties, the Group has further expanded its inventories. The inventory properties mainly consist of Projektentwicklung Breite Gasse GmbH (€86,302 thousand), Immobilienbeteiligungsgesellschaft am Kennedydamm mbH (€72,162 thousand) and Projektentwicklung Michaelkirchstraße GmbH (€42,135 thousand).

The development of inventories is presented in the table below:

in € thousand	30.06.2019	31.12.2018
GTY 1te Bochum GmbH & Co, KG	–	4,068
Imm.Bet.Ges. Kennedydamm mbH	72,162	68,678
PE Breite Gasse GmbH	86,302	81,809
PE Rudolfplatz GmbH	35,667	30,819
PE Brotstraße GmbH	4,200	4,078
PE Uerdinger Str. Office GmbH	16,561	15,283
PE Uerdinger Str. Residential GmbH	2,571	2,427
PE Michaelkirchstr. GmbH	42,135	41,188
PE Michaelkirchstr. Bet.Ges. mbH	7,916	4,754
PE Himmelgeister Straße I GmbH	3,407	2,377
PE Himmelgeister Straße II GmbH	1,775	1,606
MUC Airport Living GmbH	17,220	12,367
Gew.Park Neufahrn GmbH	18,071	17,732
Bet.Ges. Berlin-Heinersdorf 18 GmbH	30,382	30,238
Movingstairs GmbH	6,963	6,884
PE Taunusstr. 52–60 GmbH	20,644	18,428
Gateway Residential GmbH	924	–
PE Tech Campus Stuttgart	10,648	–
PE Mediaspree GmbH	18	–
S1 Rialto Quartier GmbH	3	–
	377,568	**342,736**

6.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents mainly consisted of overnight bank deposits and amounted to €34,719 thousand as of June 30, 2019 (December 31, 2018: €73,931 thousand).

6.6 ASSETS HELD FOR SALE

The assets held for sale changed as follows:

in € thousand	
Balance as of 31.12.2018	**35,590**
Reclassifications from investment properties	229,767
Additions	763
Disposals	-13,548
Changes in market value	9,267
Other assets included in the disposal group	14,378
Balance as of 30.06.2019	**276,217**

We refer to Note 6.2 regarding reclassifications from investment properties.

The measurement of the properties reported here was based on the procedure used for investment properties. The selling price was used for properties where the transaction and the selling price already are reasonably certain. The fair values determined in the context of the appraisal as of June 30, 2019 were used for the remaining properties. Overall, this procedure led to a fair value adjustment of €9,297 thousand recognized through profit or loss in the reporting period. As of the reporting date, the properties reported here had a fair value of €261,839 thousand.

As of June 30, 2019, other assets also had to be reported in this item since some of them are a disposal group within the meaning of IFRS 5. The following table shows the companies that can be allocated to a corresponding disposal group.

Stand-alone sale

— Gateway Vierte GmbH, Frankfurt am Main
— Gateway Fünfte GmbH, Frankfurt am Main
— GTY 1te Düsseldorf GmbH & Co. KG, Eschborn
— GTY 1te Siegen GmbH & Co. KG, Eschborn

Disposal group

— CE Bad Honnef S.à r.l., Luxembourg (formerly Gateway Sechste GmbH. Frankfurt am Main)
— CE Wilhelmshaven S.à r.l., Luxembourg (formerly Gateway Zwölfte GmbH. Frankfurt am Main)
— CE Abendsberg S.à r.l. (formerly Gateway Vierzehnte GmbH. Frankfurt am Main)
— CE April 1 S.à r.l., Luxembourg (formerly Gateway Erste GmbH. Frankfurt am Main)
— CE April 2 S.à r.l., Luxembourg (formerly Gateway Fünfzehnte GmbH. Frankfurt am Main)

In order to better estimate the effects from the future disposal of held-for-sale assets on income and expenses from operating activities arising, 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	Q1–Q2 2019	Q2 2019
Rental revenues	6,727	3,961
Revenues from operating costs, building-cost subsidies and cost charges to others	1,410	810
Administration costs (operating costs, maintenance, administration, etc.)	-3,281	-2,818
	4,856	**1,953**

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

The determination of the fair value was generally based on Level 3 input factors, i.e., factors not based on observable market data (unobservable input factors). Accordingly, the agreed selling prices are used for properties where the transaction and the selling price already are reasonably certain. In such cases, the fair value is calculated on the basis of Level 2 input factors that can be observed for the asset directly (i.e. as the price).

6.7 EQUITY

On April 10, 2019, GATEWAY placed 16,895,939 new shares from the capital increase announced on March 20, 2019 at a placement price of €4.00 per share within the context of an international private placement with institutional investors, while another 82,610 new shares were offered for subscription to existing shareholders which led to an increase in the share capital by a total amount of €16,978,549.00 to €186,764,040.00.

In addition, GATEWAY shares held by the main shareholder in the amount of around 15% of share capital following the capital increase were sold to institutional investors.

Hence, the total issue volume of the private placement amounted to approximately €180 million.

The gross issue proceeds from the private placement received by the Company amount to €67.6 million. In addition, the Company recorded gross issue proceeds in the amount of €0.3 million from the sale of the subscription shares to the existing shareholders. The transaction costs of €0.6 million arising in the context of this capital increase were recorded directly in equity under additional paid-in capital. Tax benefits were taken into account.

The placement and the associated increase in free float were a prerequisite for the admission of GATEWAY to the Prime Standard of the Frankfurt Stock Exchange, which means that GATEWAY now is a publicly-traded company.

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

6.8 FINANCIAL LIABILITIES

Financial liabilities break down as follows:

in € thousand	30.06.2019	31.12.2018
Current financial liabilities		
Liabilities to banks	36,102	45,797
Liabilities to related companies	131,980	110,860
Liabilities to related companies from corporate bonds	–	28,429
Liabilities to related companies from corporate bonds (interest)	–	5,491
Loans from third parties	2,710	1,085
	170,792	**191,663**
Non-current financial liabilities		
Liabilities to banks	133,733	248,340
Liabilities to related companies	22,023	24,764
Liabilities to third parties from corporate bonds	33,814	–
Liabilities to third parties from corporate bonds (interest)	–	33,810
Liabilities to related companies from corporate bonds	53,894	64,810
Liabilities to related companies from corporate bonds (interest)	16,895	11,371
Loans from third parties	10,204	15,203
Limited partners' share, non-controlling interests	151	151
	270,714	**398,449**
Total	**441,506**	**590,112**

The current financial liabilities have a remaining term of up to 12 months. They primarily include the current portion of the liabilities in connection with the acquisition of properties or the financing of development projects. The terms of the non-current financial liabilities in the amount of €270,714 thousand are longer than one year.

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

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

6.9 LIABILITIES DIRECTLY CONNECTED WITH ASSETS HELD FOR SALE

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

in € thousand	
Balance as of 31.12.2018	**–**
Financial liabilities	124,702
Other liabilities	14,755
Balance as of 30.06.2019	**139,457**

We refer to Note 6.6 regarding the composition of the disposal group.

6.10 REVENUES

The Group generated revenues of €19,632 thousand in the period from January 1 to June 30, 2019. GATEWAY mainly generates revenues from the rental of investment properties and inventory properties, the sale of inventory properties, and the provision of services. Operating cost settlements and building subsidies received are other income sources. Specifically, revenues break down as follows:

in € thousand	**Q1–Q2 2019**	Q1–Q2 2018
Rental revenues in accordance with IFRS 16		
Rental revenues on investment properties	1,534	–
Rental revenues on IFRS 5 properties	6,727	–
Rental revenues sub-letting DP AG	34	39
Rental revenues on inventory properties	2,642	4,468
	10,937	**4,507**
Rental revenues in accordance with IFRS 15		
Revenues from the sale of inventory properties	4,900	–
Revenues from operating costs (flat charges, settlements)	748	396
Revenues from operating costs (flat charges, settlements) in accordance with IFRS 5	1,410	–
Revenues from cost charges to others and building cost subsidies in accordance with IFRS 5	15	–
Revenues from services	1,570	524
Other	52	205
thereof over time	1,570	524
thereof at a point in time	7,125	601
	8,695	**1,125**
Total	**19,632**	**5,632**

Of the overall revenues, €8,695 thousand fall under the scope of IFRS 15 and €10,937 thousand fall under the scope of IFRS 16. Revenues under the scope of IFRS 15, with the exception of revenues from services, are recognized at a certain point in time. In contrast, revenues related to associated companies and joint ventures, are mainly recognized over time.

in € thousand	**Q2 2019**	Q2 2018
Rental revenues in accordance with IFRS 16		
Rental revenues on investment properties	144	–
Rental revenues on IFRS 5 properties	3,961	–
Rental revenues sub-letting DP AG	17	17
Rental revenues on inventory properties	1,323	1,920
	5,445	**1,937**
Rental revenues in accordance with IFRS 15		
Revenues from operating costs (flat charges, settlements)	321	198
Revenues from operating costs (flat charges, settlements) in accordance with IFRS 15	810	–
Revenues from services	1,425	264
Other	21	205
thereof over time	1,425	264
thereof at a point in time	1,152	403
	2,577	**667**
Total	**8,022**	**2,604**

6.11 CHANGES IN INVENTORY

The changes in inventory relate to the capitalized production costs for the inventory properties, which include €11,531 thousand in capitalized interest on borrowed capital (June 30, 2018: €5,333 thousand). The main changes in inventory resulted from the companies PE Tech Campus (€10,595 thousand), MUC Airport Living GmbH (€4,791 thousand), Projektentwicklung Rudolfplatz GmbH (€4,598 thousand), and Projektentwicklung Breite Gasse GmbH (€4,059 thousand). The change in inventory is reduced by the sale of the inventory property Projektentwicklung Bochum. The specific breakdown of changes in inventory is presented in the table below:

in € thousand	**Q1–Q2 2019**	Q1–Q2 2018	**Q2 2019**	Q2 2018
Increase in inventory due to construction activity and capitalization of interest on borrowed capital	38,962	17,557	30,696	10,660
Sale of inventory properties	-4,068	–	-4,068	–
	34,894	**17,557**	**26,628**	**10,660**

6.12 COST OF MATERIALS

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

in € thousand	**Q1–Q2 2019**	Q1–Q2 2018	**Q2 2019**	Q2 2018
Acquisition costs of land	7,354	–	6,909	–
Purchased services	6,813	2,751	3,841	1,965
Professional fees/projects	2,913	1,854	1,698	806
Other project costs	63	6	59	6
Administration costs	4,553	–	2,484	–
Other construction costs	3,253	413	1,713	378
	24,949	**5,024**	**16,704**	**3,155**

6.13 OTHER OPERATING INCOME AND EXPENSES

Other operating income includes the following amounts:

in € thousand	Q1–Q2 2019	Q1–Q2 2018
Proceeds from sale of investments accounted for using the equity method	465	13,783
Income from the reversal of provisions	838	3
Insurance compensation, indemnity	180	1
Costs charged to others	12	54
Other in-kind benefits charged for motor vehicles	66	59
Reimbursement expense compensation	19	17
Income from the reduction of liabilities	132	–
Other	79	–
	1,791	**13,917**

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

Other operating expenses include the following amounts:

in € thousand	Q1–Q2 2019	Q1–Q2 2018
Legal and consulting expenses	1,239	221
Advertising, travel and motor vehicle expenses	740	430
Accounting, financial statements and auditing expenses	2,434	28
Space costs	418	233
IT, office and communication expenses	147	37
Insurance, premiums and dues	155	104
Costs for termination of a purchase contract	600	–
Advertising expenses property	94	6
Replacement space for a let property	75	–
Other project development expenses	104	81
Purchased services	188	165
Tenant brokerage commission	3,334	–
Continuing education expenses	48	34
Other financing expenses	1,610	–
Other tax expenses	13	–
Prior-period expenses	75	3
Other	1,021	354
	12,296	**1,705**

Other operating income for the second quarter are comprised of the following:

in € thousand	Q2 2019	Q2 2018
Proceeds from sale of investments accounted for using the equity method	–	13,783
Income from the reversal of provisions	748	3
Insurance compensation, indemnity	12	–
Costs charged to others	–	54
Other in-kind benefits charged for motor vehicles	32	17
Reimbursement expense compensation	5	2
Other	37	–
	835	**13,859**

Other operating expenses for the second quarter can be broken down as follows:

in € thousand	Q2 2019	Q2 2018
Legal and consulting expenses	864	166
Advertising, travel and motor vehicle expenses	275	–
Accounting, financial statements and auditing expenses	979	11
Space costs	273	118
IT, office and communication expenses	93	24
Insurance, premiums and dues	95	28
Purchase price adjustment	-454	–
Advertising expenses property	44	–
Replacement space for a let property	38	–
Other project development expenses	59	51
Purchased services	89	27
Tenant brokerage commission	2,994	–
Continuing education expenses	27	3
Other financing expenses	1,608	–
Other tax expenses	6	–
Prior-period expenses	8	3
Other	589	295
	7,586	**725**

In the first quarter of 2019, a purchase price adjustment of €454 thousand was recognized under other operating expenses for Gateway Verwaltung. This estimate was not confirmed in the second quarter of 2019 as new information has become available. This resulted in the presented balance of €454 thousand.

6.14 FINANCIAL RESULT

The financial result can be broken down as follows:

in € thousand	Q1–Q2 2019	Q1–Q2 2018
Interest income	446	263
Interest expenses	-18,237	-13,188
Profit and loss from companies accounted for using the equity method	366	-36
	-17,425	**-12,961**

in € thousand	Q2 2019	Q2 2018
Interest income	234	156
Interest expenses	-8,671	-6,582
Profit and loss from companies accounted for using the equity method	342	-36
	-8,095	**-6,462**

The interest expenses predominantly result from borrowings to finance the development projects as well as standing asset properties. An amount of €11,531 thousand of these interest expenses was capitalized (see Note 6.11). The profit and loss shares in companies accounted for using the equity method are explained in Note 6.3.

6.15 INCOME TAX EXPENSE

The income tax expense for the second quarter of 2019 amounted to €3,109 thousand (Q2 2018: €1,711 thousand). The effective tax rate of 63.84% was mainly influenced by changes in valuation adjustments of deferred tax assets on loss carry-forwards as well as non-tax-deductible expenses (particularly interest expenses), offset by tax-exempt income. The tax rate for the second quarter of 2018 was 12.63%.

6.16 EARNINGS PER SHARE

Basic and diluted earnings per share are as follows:

in €	Q1–Q2 2019	Q1–Q2 2018	Q2 2019	Q2 2018
Earnings per share	**0.01**	**0.53**	**0.03**	**0.61**

The basic earnings per share are calculated as the quotient of earnings attributable to the shareholders of the parent company and the average number of shares outstanding during the financial year. In addition to the 169,785,000 shares issued as of March 31, 2019, GATEWAY placed 16,895,939 new shares within the framework of the capital increase announced in March on April 10, 2019, and offered another 82,610 new shares for subscription to the existing shareholders.

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

in € thousand	Q1–Q2 2019	Q1–Q2 2018
Attribution of profit to common shareholders		
Profit attributable to owners of the parent company	1,761	11,281
Profit attributable to holders of common shares	1,761	11,281

in thousands of shares	Q1–Q2 2019	Q1–Q2 2018
Weighted average of common shares	**178,274**	**21,175**

Earnings per share for the second quarter are presented in the following table:

in € thousand	Q2 2019	Q2 2018
Attribution of profit to common shareholders		
Profit attributable to owners of the parent company	4,623	12,882
Profit attributable to holders of common shares	4,623	12,882

in thousands of shares	Q2 2019	Q2 2018
Weighted average of common shares	**178,274**	**21,175**

6.17 RELATED PARTY TRANSACTIONS

A. PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

Development Partner AG was acquired by SN Beteiligungen Holding AG by way of a contract dated July 28, 2017. By way of an agreement dated July 9, 2018 and taking effect as of October 5, 2018, SN Beteiligungen Holding AG contributed the shares held in Development Partner AG into GATEWAY and, as consideration, received 148,610,491 shares in the Company.

The majority stake held by SN Beteiligungen Holding AG in GATEWAY currently amounts to 65.75%. SN Beteiligungen Holding AG is controlled by Norbert Ketterer. GATEWAY is therefore also controlled by Norbert Ketterer.

B. RELATED PARTY TRANSACTIONS

By way of an agreement dated June 26, 2019, SN Beteiligung Holding AG issued a loan in the amount of €6,650 thousand to Gateway Real Estate AG. The loan matures on December 31, 2019 and bears interest at a rate of 4.25%.

In addition, the subsidiary S1 Rialto Quartier GmbH, which was acquired in the second quarter of 2019, has a present loan obligation to Ketom AG in the amount of €8,001 thousand.

6.18 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

By way of an agreement dated August 19, 2019, Gateway Real Estate AG sold a standing asset portfolio consisting of 21 commercial and retail properties for a purchase price of €242 million to a special fund of German pension funds.

After the reporting date (June 30, 2019), one project development in Wiesbaden was sold at a selling price of more than €70 million in connection with an asset deal. Another project in Erfurt was signed for a selling price of more than €110 million.

In August, GATEWAY won a contract for the construction of an ensemble of buildings at the Leipzig University of Applied Sciences. The project development volume amounts to approximately €47 million; a rental agreement was concluded in this context for a term of ten years.

To strengthen the project pipeline, a total of four purchases were made in July and September. The expected project volume amounts to more than €800 million. Closing is expected to occur already in this fiscal year.

Moreover, GATEWAY is in an advanced stage of negotiations regarding a purchase agreement for a larger development project as well as in ongoing contract negotiations for development projects.

On August 21, 2019, the Management Board and the Supervisory Board were discharged for the fiscal year 2018 during the Annual General Meeting. In addition, Jan Hendrik Hedding and Marcellino Graf von und zu Hoensbroech were elected to the Supervisory Board. Furthermore, the Management Board was authorized to increase the Company's share capital on one or more occasions by up to €25,467,824 through the issuance of new no-par value shares. The issuance is generally subject to the statutory subscription rights of existing shareholders.

Frankfurt am Main, September 26, 2019

(The Management Board)

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the interim 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 in the remainder of the fiscal year.

Frankfurt am Main, September 26, 2019

Manfred Hillenbrand

Tobias Meibom

INFORMATION ON THE REVIEW

The interim consolidated financial statements and the interim management report of the Group have neither been reviewed nor audited in accordance with Section 317 of the German Commercial Code (Handelsgesetzbuch – HGB).

Financial calendar

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