



**INTERIM
REPORT**

AS OF 31 MARCH 2014
ISARIA WOHNBAU AG

ISARIA Wohnbau Group Key Parameters

OPERATING PERFORMANCE INDICATORS IN € MILLION	01/01/ - 03/31/2014	01/01/ - 03/31/2013
Sales revenue	28.3	4.9
Total output	19.2	7.0
Gross profit	6.9	3.7
EBIT	2.9	2.0
Financial result	-3.6	-2.4
Consolidated result after taxes	-0.4	-0.3
Gross profit margin	24%	76%
EBIT margin	10%	42%
Profit-turnover-ratio	-2%	-5%
Cashflow from operating activities	-12.2	0.5
Cashflow from investing activities	-0.0	0.5
Cashflow from financing activities	16.2	-8.7

BALANCE SHEET RATIOS IN € MILLION	03/31/2014	12/31/2013
Current assets	182.2	185.1
of which: Properties held for sale and other inventories	117.1	126.3
Equity	13.2	13.6
Financial liabilities	84.1	75.1
of which: non-current	15.3	15.4
Balance sheet total	224.2	226.9

KEY SALES FIGURES IN € MILLION	01/01/ - 03/31/2014	01/01/ - 03/31/2013
Notarized sales of the period	15	26
	03/31/2014	12/31/2013
Orders on hand*	99	113

* Amount of notarized sales of units not yet transferred to the customers

Employees	03/31/2014	12/31/2013
Number of employees	53	50

SHARE	
ISIN	DE000A1E8H38
WKN	A1E8H3
Market segment	Prime Standard
Highest price 3 months (Xetra)	2.90
Lowest price 3 months (Xetra)	2.70
Closing price on 03/31/2014 (Xetra)	2.70

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The English version of the interim report is a translation of the German report. The German version of this report is legally binding.

To our shareholders and business partners

There are two particular aspects in these interim financial statements for the first quarter of 2014 we want to highlight.

First, we have recorded the highest revenues ever in the first three months of a fiscal year. There are normally only a low number of handovers for completed residential units in the first quarter as this is the winter quarter. In addition, the interim financial statements for Q1 2014 include, for the first time, the income and expenses for One Group, which was consolidated for the first time as of 31 December 2013. One Group will be carried as a sub-group in ISARIA Wohnbau AG's consolidated financial statements, and also as a separate segment.

Operations in the first quarter of 2014 were on schedule, as had been anticipated. The handovers from our second revitalisation project for the "APP.ARTMENTS" brand that had been postponed from 2013 to the first quarter of 2014, as already announced in the 2013 annual report, led to the high revenues already mentioned. We will also record notable revenues from this project in the remaining quarters of this year. However, the first-time consolidation of this project company in the 2013 consolidated financial statements according to IFRS accounting means that a material amount of the total operating margin for this project was taken directly to equity, and is not reflected in earnings for the current fiscal year. Thus, the EBIT margin is only a good 10%. However, we were still able to record EBIT of almost EUR 3 million. One Group's business was also on schedule in the first three months. One Group constantly acquires financing for our current and future construction and development projects via the ProReal Deutschland Fonds 3. During the period under review, One Group also contributed a positive financial result. We expect that this will increase during the course of the year, so that this will exceed the initial integration

costs and ongoing overhead costs for One Group. On the whole, we are forecasting earnings in the mid single-digit million range for the group in the fiscal year.

In the coming months of the current fiscal year, we will focus on successfully working through our current high order book. In Karlsfeld alone we have 223 residential units under construction, of which more than 90% have already been sold. At a strategic level, we will continue to focus on the further improvement of our equity and financing structure.

Furthermore, we will soon be able to report to you on initial new acquisitions to expand our project pipeline in our property development business. After more than two years without any new projects, our Executive Board, which now comprises three members, now has the capacity and financial latitude required in this regard.

After we repaid a corporate bond of EUR 5 million last summer, at the start of this year interest was indicated for a new issue for EUR 10 million with an interest rate of 8% p.a. This new bond was fully subscribed by institutional investors in February. At the end of the first quarter, the Group had freely available funds of more than EUR 16 million.

Thank you for the trust you have placed in our company. We look forward to welcoming as many of you as possible to our General Meeting in Munich on 23 May 2014.

Munich, 5 May 2014

ISARIA Wohnbau AG
The Executive Board



Michael Haupt
Spokesman of the
Executive Board / CEO



Christian Dunkelberg
Member of the
Executive Board / CIO



Jan von Lewinski
Member of the
Executive Board / COO

Handovers in Q1 2014 "APP.ARTMENTS" in Munich-Bogenhausen

The € 27.5 million revenues from the sale of property units in the first quarter of 2014 result mainly from one central project: "APP.ARTMENTS" in Vogelweidstraße 5 in Munich-Bogenhausen. Of the total of 167 apartments 89 units were handed over to their respective buyers in Q1 2014. Buyers include both owner-occupiers (approx. 55%) as well as private investors (approx. 45%).

These handovers led to revenues of € 23.8 million. The remaining units will mostly be handed over in the second and third quarters of 2014.

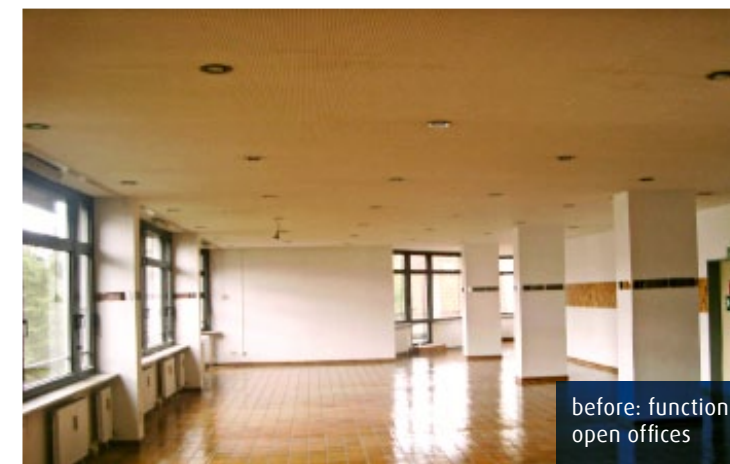
APP.ARTMENTS in Vogelweidstraße 5 is the second revitalisation project in this product line. The former office property has been extensively revitalized and converted into a residential property with one and two-room apartments. The apartments are between 20m² and 90m² in size, and are characterized by their top-quality, functional equipment, a custom-made fitted kitchen and space-saving fitted furniture. A stylish bathroom ensures total comfort. On the whole, the APP.ARTMENTS offer the very best quality for living, sleeping and eating, and are thus the ideal residential concept for example for people who only live in Munich for a certain period and who are looking for a top-quality second residence. This product is also excellently suited for private investors.



before: façade view



after: façade with conservatories



before: functional open offices



after: state-of-the-art, well-lit apartments



FACTS:

APP.ARTMENTS
for students, singles and businesspeople

- 167 apartments
- Total sales volume € 48 million
- 1 to 2 room apartments of approx. 20m² to 90m² in size
- Exclusive furnishings
- Top-quality fittings
- "KfW-Effizienzhaus 85"
- Fitness studio, elevator, underground parking
- Almost all apartments have a balcony, terrace or conservatory
- Concierge service on location



A low-angle photograph of a brick church tower with a green copper roof and a yellow tower crane against a blue sky. The church tower is made of red brick and has a green copper roof. A yellow tower crane is positioned to the right of the tower. The sky is a clear, bright blue. The text "WE CREATE NEW VALUES." is overlaid on the left side of the image.

WE CREATE
NEW **VALUES.**

GROUP INTERIM MANAGEMENT REPORT

as of 31 March 2014

1. BUSINESS ACTIVITIES AND ECONOMIC ENVIRONMENT

I. BUSINESS ACTIVITIES AND GROWTH

ISARIA Wohnbau AG (hereinafter also referred to as the “Company” or, in connection with its subsidiaries and participating interests the “ISARIA Wohnbau group” or only “ISARIA Wohnbau”) is a project developer for residential properties in the greater Munich region. The Group buys plots of land in attractive locations via independent special purpose entities/subsidiaries, plans residential properties in these locations, constructs these and then sells them. The business activities of the ISARIA Wohnbau group are divided into the business areas of new residential real estate construction and the revitalization of existing properties. The latter includes also converting former commercial properties to turn them into residential properties under the brand “APP.ARTMENTS” created for this purpose.

The company’s business model is geared to sell the apartments and houses built in full. ISARIA Wohnbau does not aim to rent or hold its stocks of apartments or houses. To date, the company, together with its SPEs, has exclusively operated on the high-growth greater Munich region, and is currently looking into Hamburg as an additional location.

The business activities of One Group GmbH and its subsidiaries (hereinafter also referred to as “One Group”), which were acquired as of 31 December 2013, mostly comprise the development, structuring and issuing of project development funds for residential construction projects in Germany. In ISARIA Wohnbau’s location in Munich, these funds invest exclusively in the company’s projects. In addition, investments are also made in external projects at other locations. One Group will be managed as a sub-group within the ISARIA Wohnbau Group, and a new segment “One Group” has been formed in this regard. This segment will map this sub-group’s results.

The projects listed in the table and majority acquisitions of project companies that have already been certified will allow ISARIA Wohnbau to generate its future revenue volume. The project not included in the table “Neue Hirschpark Terrassen” (104 residential units) is being executed in cooperation with Corpus Sireo Projektentwicklung Wohnen GmbH and is carried at equity by the joint ventures included in the consolidated financial statements. For this company no revenues are recorded at a consolidated level. This project was successfully completed when the last unit was handed over during the quarter under review.

KEY EVENTS IN THE PERIOD UNDER REVIEW

Entry of capital increase

The capital increase from the contribution by One Group was entered into the commercial register on 11 February 2014. The share capital of ISARIA Wohnbau AG now totals € 23,764,000, comprising 23,764,000 no-par value bearer shares.

New corporate bond issued

In February 2014 the company issued a new corporate bond for € 10.0 million with a term to February 2015 and an interest rate of 8.0% p.a. This was fully subscribed.

Developments of projects

In contrast to the previous year, construction work continued practically without reduction at the start of 2014 as a result of the mild winter. The individual projects:

In the “Neue Hirschpark Terrassen” project, the last apartment was handed over at the start of 2014. The 104 apartments in total had thus been fully sold, handed over and occupied on the reporting date, and the project had been fully completed. The project is being carried out in cooperation with Corpus Sireo Projektentwicklung Wohnen GmbH and is included in the consolidated financial statements at equity via the investment result.

ISARIA WOHNBAU’S PROJECTS

Project	Special purpose entity	Location	Total number of housing units	Scheduled completion	Status
Nido	JK Wohnbau Objekt Karlsfeld 1 GmbH; Sections 5,7	Karlsfeld am Prinzenpark	50	03/2014	completed
	JK Wohnbau Objekt Karlsfeld 1 GmbH; Section 1		77	12/2015	construction started
	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 9		35	06/2014	construction started
	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 8		55	03/2015	construction started
	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 10a		24	09/2015	construction started
	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 10b		24	12/2015	Preparation for start of construction
	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 10c		25	06/2016	Preparation for start of construction
	ISARIA Wohnbau Objekt Karlsfeld 3 GmbH; Section 12c		33	12/2014	construction started
	ISARIA Wohnbau Objekt Karlsfeld 3 GmbH; remaining sections		112	03/2016	Preparation for start of construction
APP. ARTMENTS	Living Bogenhausen GmbH	Munich-Bogenhausen	167	03/2014	Being completed
St. Bonifatius	gindiwo Gesellschaft für individuelle Wohnungsprivatisierung Objekt St. Bonifatius Straße mbH - rear building	Munich-Giesing	21	03/2014	completed
			22	12/2014	construction in progress
Tower	ISARIA Tower GmbH	Munich-Obersendling	328	12/2018	Plan B development
Am Münchfeld	ISARIA Wohnbau Objekt Am Münchfeld GmbH	Munich-Allach	458	2017 - 2018	Plan B development

In the renovation project "St. Bonifatius", the construction activities in the building to the rear have been completed, apart from a few remaining tasks. Most of the apartments have been handed over. From the building to the front the core has already been fully removed and the rebuilding work is continuing at a rapid pace. The reinforcement of the ceilings which is required due to the construction of the building has been practically completed, which means that we expect that this project will be completed in 2014.

In the "Nido" project in Dr. Johann-Heitzer-Straße in Karlsfeld West, construction work continued at the start of 2014 practically without interruption as a result of the mild weather. In the first three months of 2014, it was possible to transfer the remaining ten of the total of 50 units of construction sections WA 5 and 7 that had already been completed on 31 December 2013 to their respective buyers. On 1 April 2014, there were further 223 residential units under construction, of which more than 90% have already been sold. Construction work on these units is progressing on schedule. As a result of the major sales success, in addition a further 90 residential units in subsequent sections have been put up for sale, and a good 50% of these had already been sold by the end of March. In 2012 and 2013, a total of 149 residential units in six construction sections had been completed and handed over. ISARIA Wohnbau is realising a total of 544 residential units on this 115,000m² site.

In the revitalisation project "APPARTMENTS" in Vogelweidestraße 5 in Munich-Bogenhausen, the 167 apartments had already been mostly completed at the end of 2013. These constitute the so-called special ownership. However, as the city utilities company was not able to connect the district heating on time, and as construction work still had to be finished in the jointly-owned sections (hallways, stairwells and external areas), the Management Board has decided to move back the transfers for the individual and joint ownership to the first quarter of 2014. These hand-overs had been completed for 89 apartments by 31 March 2014. The remaining apartments are being handed over on an ongoing basis.

In the two developments "Am Münchfeld" and "Tower", obtaining building rights is being further driven. The political will to create more residential construction rights that has been clearly expressed is faced with bureaucratic implementation, as a large number of public-sector players are involved in type of process. This makes it more difficult to estimate dates precisely in the ongoing development process. In the "Am Münchfeld" project in Allach, we are expecting the so-called key data resolution ("Eckdatenbeschluss") from the City of Munich at the start of the third quarter of 2014. In the "Tower" project in Munich-Obersendling, a discussion forum with interested citizens was held in February 2014. The results of this forum will be included in a further key data decision by the City of Munich, which is currently expected in September 2014. The key data decision will be followed by an urban planning and landscaping competition, which is already being prepared and coordinated.

Executive Board Membership Changes

With effect from 1 January 2014 Mr Jan von Lewinski joined ISARIA Wohnbau AG's Executive Board as the new COO (Chief Operating Officer). He takes over this position from the former COO Christian Dunkelberg, whose contract, which has been in place since 2010, has been extended to the end of 2015 and who will be responsible for the CIO's tasks (Chief Investment Officer) in future. As a result, the company will be run by a three-member Executive Board in future. Michael Haupt's appointment as CEO and Chairman of the Executive Board was extended to the end of 2017 in February 2014.

II. OVERALL ECONOMIC DEVELOPMENTS

According to estimates by the Institut für Weltwirtschaft (IfW) in Kiel, the economy in the Eurozone continued to stabilize in March 2014. This recovery will continue in the coming months, albeit at a moderate pace in the first instance. In contrast, Germany is on the verge of an economic boom. This dynamic pace will be driven by private consumption and also primarily by investments. This will continue to be boosted by the expansive monetary environment.

In IfW's view, in particular the residential construction segment will benefit from these positive underlying conditions, and in particular from the continued extremely low financing costs as well as the lack of alternative investments and the continuing insecurity.

III. DEVELOPMENTS ON THE REAL ESTATE MARKETS IN GERMANY AND MUNICH

THE MARKET FOR RESIDENTIAL PROJECT DEVELOPERS

Both the real estate economy in Germany (as an indicator for the current situation) and the real estate climate (as an indicator for future perspectives) continued to grow in the first quarter of 2014 according to the Hypo-Immobilienkonjunktur Index, published in March 2014, and were thus higher than the 2013 year-end figures at 1.9% and 3.6% respectively. The climate for residential construction also continues to be stable at a high level, and compared to the other asset classes it is still the most attractive and is thus a "safe harbour". As a result, the underlying conditions in the real estate sector continue to be seen as being excellent. Residential project developers continue to enjoy an excellent environment in all of Germany's high-growth regions.

DEVELOPMENTS ON THE HOUSING MARKET IN MUNICH

The real estate market in Munich also continues to be highly attractive following our last report in April 2014. Munich as a location takes first place in many current national studies with regard to factors relevant for the real estate market, such as economic and structural indicators, location strength and future-proof locations. Current city rankings in 2012 and 2013 include various dimensions for economic and personal growth and development. In the weighted areas of economic potential, structural change and career opportunities, Munich takes first place on the whole. With regard to infrastructure and the level of economic potential, the Bavarian capital leads the group of comparable cities. Munich's high-performance infrastructure can also be seen in the large number of corporate

headquarters per inhabitant. As the "City of DAX groups", it is among the most productive German cities. In addition, real estate on the Munich market carries the highest price tag in the whole of Germany.

The underlying conditions continue to be very positive, and in 2013 this also led to continued high demand on the Munich market for residential real estate, with a continued market upwards tendency for purchase prices. In its current report for Q4/2013, and based on a preliminary market analysis, the Munich Committee of Experts is reporting a price increase for new residential properties of around 13% for the whole of 2013. The increase for newly built terraced houses is between 10% and 15%.

The growing demand for residential properties has thinned out the offering perceptibly. As a result, in its current report, the Munich Committee of Experts has ascertained a 12% downturn in the number of sales on the market for owner-occupied apartments in 2013. The offering is thus too low, and can only be overcome by a substantial, sustained expansion of construction activities. In its current market report dated February 2014, the consulting firm Jones Lang Lasalle (JLL) reports that the requirements for new apartments, which the City of Munich estimates at 7,000 per year, was covered by a total of more than 8,000 units competed in 2013. However, this is yet not enough to compensate for the insufficient construction activities in the past few years, and the falling number of planning permissions issued in the past few years already indicates lower completion rates in the future again. As a result, there are currently no indicators that the situation on the Munich real estate market will relax over the medium term. Readiness to buy continues to be very strong despite these increasing prices - among both investors and also owner-occupiers - given this very limited offering.

COMPETITIVE POSITION OF ISARIA WOHNBAU IN MUNICH

Competition for project developers for residential construction is mostly fragmented throughout Germany. There are many smaller providers on the market, who

develop a few, small-scale properties in the traditional housing estate structures. As a result of the strong growth in the population of Munich, which has been the case for decades, however, some major companies have become established, who mostly ensure urban development growth. ISARIA Wohnbau has ranked among these companies for several years.

Among the group of five leading residential property developers identified by Bulwien-Gesa, all other companies have been family-owned for decades and the “second-youngest” has already been operating successfully on the market for 45 years. Based on a sufficiently large, strategic project pipeline, developing residential properties in Munich is clearly the business model which is least susceptible to crises in the real estate industry.

ISARIA Wohnbau continues to be the most important German residential property developer which only operates in a single location.

2. FINANCIAL POSITION AND RESULTS OF OPERATIONS

In the past, management has focused on improving the financing structure, and this has now been successfully completed. In 2014 the focus is back again on ISARIA Wohnbau’s core business - construction activities themselves.

In the first three months of 2014 it was possible to generate total notarised sales of € 15.4 million. With regard to the revenues forecast for 2014 from the sale of property units, more than 80% of these units have already been sold.

Notarized sales less units already transferred resulted in an order book of € 99 million on 31 March 2014 (31 December 2013: € 113 million). This order book secures future revenues, and the majority of this is for 2014.

	01/01/ - 03/31/2014	01/01/ - 03/31/2013	Change
	k€	k€	k€
Revenues	28,338	4,886	23,452
Total output	19,171	7,005	12,166
Cost of materials	-12,245	-3,287	-8,958
Gross profit	6,926	3,718	3,208
Personnel expenses	-1,241	-604	-637
Other operating income	261	812	-551
Other operating expenses	-2,699	-1,757	-942
EBIT	2,910	2,050	860
Financial result	-3,639	-2,376	-1,263
Income tax gains	287	65	222
COMPREHENSIVE INCOME	-442	-262	-180

I. RESULTS OF OPERATIONS

A differentiated view must be taken with regard to ISARIA Wohnbau’s net income in the first three months of 2014: during this period earnings from One Group will be included in the overall group for the first time. Earnings after taxes is negative at k€ -442 (previous period without One Group: k€ -262). One Group is included in this figure at k€ -464, including the pro rata depreciation of the assets from the purchase price allocation. ISARIA Wohnbau Group stand-alone closed the first quarter of 2014 with earnings after taxes of k€ 22, and thus a “black zero”. This is not very much in view of the high revenues. However, earnings of k€ 2,347 are no longer recognized in income according to IFRS, as this amount was already taken directly to equity as part of the first-time consolidation of the respective project company in the 2013 consolidated financial statements (so-called step-up). From an economic perspective, however, this contribution to earnings should be considered, leading to a pre-tax rate of return of 7.0%. This means that ISARIA Wohnbau’s current construction projects are profitable.

The revenue volume (proceeds from the sale of residential units and from leasing) amounts to k€ 28,338 in the first three months of 2014 (corresponding period last year: k€ 4,886) and is particularly attributed to the proceeds from the dwelling units handed over during the respective period. During the first three months of 2014, these included the hand-overs of the remaining units of the construction stages in the project “Nido” (JK Wohnbau Objekt Karlsfeld 1 GmbH) completed in the last quarter of 2013, and also the postponed hand-overs from the Q4 2013 for residential units in the “APP.ARTMENTS” revitalisation project (Living Bogenhausen GmbH).

Total output includes revenues as well as the change in inventories of ongoing construction properties according to construction progress and handovers in the current reporting period.

Costs of materials increased by € 8,958 thousand in the first three months of 2014 to k€ 12,245 compared to k€

3,287 in the first quarter of 2013. This increase reflects the higher number of units under construction compared to the same period of the previous year.

Personnel expenses increased in the reporting period to k€ 1,241 compared to k€ 604 in the same period of the previous year. Of this increase, k€ 395 is due to the first-time inclusion of personnel expenses for One Group in ISARIA Wohnbau’s consolidated financial statements during the period under review. As of 31 March 2014, 53 employees were employed at the ISARIA Wohnbau Group (31 March 2013: 30 employees). Of this total, 18 employees are from One Group.

Other operating expenses increased by k€ 942 in the first three months of 2014 to k€ 2,699 compared to k€ 1,757 in the first quarter of 2013. Of this increase, k€ 314 is due to the first-time inclusion of expenses for One Group during the period under review. In addition, warranty and follow-up costs increased by k€ 297. This mostly reflects an increase in the provision for warranties for the units handed over during the year under review. In addition, legal and consulting costs were also k€ 186 higher than in the same period of the previous year, mostly due to the consulting costs incurred in connection with the issue of the corporate bond and the integration of One Group.

EBIT increased during the period under review to k€ 2,910 compared to the same period of the previous year (k€ 2,050). In terms of revenues (EBIT margin), this gives a figure of a good 10% (previous year: good 26%). The lower value compared to the previous year is due to the recognition of a major portion of the economic margin directly to equity in the accounts of 2013 as described above for the units transferred during the period under review.

The negative financial result increased during the first three months of 2014 by k€ 1,263 to € -3,639 thousand compared to k€ -2,376 in the same period of the previous year. Financial income was lower in the first three months of 2014 at k€ 117 compared to the same period of the pre-

vious year (k€ 478). Financial expenses increased in the first three months of 2014 by 23% to k€ 3,843 compared to the same period of the previous year (k€ 3,124). This increase is directly related to the interest bearing liabilities which increased by a good 40% compared to the same period of the previous year. This, in turn, is due directly to the correspondingly higher volume of projects to be financed. This disproportionate increase in financing expenses reflects the substantially improved financing structure. The result from participations carried at equity totalled k€ 87 in the period under review (Q1 2013: k€ 269).

Business activities for the One Group segment, which was included for the first time in the period under review, are

	03/31/ 2014	12/31/ 2013	Change
	k€	k€	k€
Non-current assets	41,944	41,817	127
Current assets	182,217	185,123	-2,906
Equity	13,164	13,606	-442
Non-current liabilities	78,849	66,697	12,152
Current liabilities	132,148	146,636	-14,488
BALANCE SHEET TOTAL	224,161	226,939	-2,778

II. NET ASSETS

Total assets fell only slightly by 1% on 31 March 2014 to k€ 224,161 compared to k€ 226,939 on 31 December 2013.

Non-current assets are practically unchanged. Current assets fell slightly by less than 2% to k€ 182,217 on the reporting date compared to 31 December 2013 (k€ 185,123). Within current assets, the plots designated for sale and other inventories fell by k€ 9,192 as a result of the handovers performed during the quarter under review. In contrast, cash increased by k€ 4,992 from k€ 32,303 on 31 December 2013 to k€ 37,295 on the reporting date. This increase is due to the funds which had not yet been fully invested on 31 March 2014 resulting from the new corporate bond issued in February 2014.

mostly included in the financial result. During the period under review, One Group contributed a positive financial result of k€ 495. However, this positive financial result was not yet sufficient to totally cover One Group's overheads in the period under review.

At a total group level, the course of business in the first quarter of 2014 was satisfactory with the strongest revenue volume ever for a first quarter, a return on sales before taxes from an economic perspective of 7%, as well as a substantially improved financing structure, and was in line with expectations. ISARIA Wohnbau's economic position has continued to improve.

III. FINANCIAL POSITION

Equity fell slightly compared to 31 December 2013 (k€ 13,606) to k€ 13,164 on the reporting date in line with the negative consolidated earnings after taxes.

Non-current liabilities increased by k€ 12,152 from k€ 66,697 on 31 December 2013 to k€ 78,849 on the reporting date. This increase is mostly due to the funds acquired during the first three months of 2014 from One Group's ProReal Deutschland Fonds 3. These led to an increase in the disclosure for compensation liabilities to investors in ProReal Deutschland Fonds.

Current liabilities fell by k€ 14,488 from k€ 146,636 to k€ 132,148 on the reporting date. This downturn was mostly

due to a decrease in liabilities from advance payments of k€ 16,913. This is connected with the hand-overs of residential units in the period under review. In addition, the liabilities carried under current compensation liabilities to shareholders of partnerships to investors in JK Fonds I fell by k€ 3,455 as a result of further repayments. In addition, trade payables also fell, mostly due to correspondingly lower liabilities or provisions for construction costs not yet invoiced of k€ 1,982. This is partly offset by an increase in current financial liabilities to non-banks of k€ 8,500. This is due to the corporate bond issued during

the period under review of k€ 10,000 less the redemption of other mezzanine funding in the amount of k€ 1,500.

The group's cash increased compared to 31 December 2013 (k€ 32,303), in particular as a result of the funds from the corporate bond issued in February 2014 and which have not yet been fully invested. This figure totalled k€ 37,295 on the reporting date. The group can freely dispose of these funds in the amount of k€ 16,373 on 31 March 2014 (31 December 2013: k€ 12,393). The change in freely disposable cash is as follows:

	03/31/ 2014	12/31/ 2013	Change
	k€	k€	k€
Cash	16,373	12,393	3,980

	01/01/- 03/31/ 2014	01/01/- 03/31/ 2013	Change
	k€	k€	k€
Cash flow from operating activities	-12,171	503	-12,674
investing activities	-9	457	-466
financing activities	16,160	-8,745	24,905

The cash flow from operating activities totalled k€ -12,171 in the year under review after k€ 503 in the previous year and is mostly due to the negative consolidated earnings before income taxes in the amount of k€ 729 plus the financial result (k€ 3,639), the reduction in properties held for sale by k€ 8,432, the increase in receivables from the sale of properties and other receivables and financial assets of k€ 1,089, as well as a downturn in non-interest bearing liabilities and provisions of k€ 23,069.

The cash flow from investing activities in the first three months of 2014 amounted to k€ -9 (Q1 2013: k€ 457). In Q1 2013 this was mostly due to the purchase prices received from the sale of investment properties.

The cash flow from financing activities in the first three months of 2014 amounted to k€ 16,160 (Q1 2013: k€ -8,745). The inflow from drawing down financial liabilities for the ongoing construction activities in the amount of k€ 23,754 (Q1 2013: k€ 2,053) exceeded the repayment of financial liabilities in the amount of k€ 5,914 (Q1 2013: k€ 8,929) and interest payments in the amount of k€ 1,680 (Q1 2013: k€ 1,868).

3. OPPORTUNITY AND RISK REPORT

As a result of its business activities, ISARIA Wohnbau Group is exposed to various operational and economic risks. In this regard, please refer to the detailed informa-

tion in the group management report for fiscal year 2013, dated 19 March 2014.

At a national level, the plans for a so-called rental-price block have become more concrete, however a conclusive assessment is not yet possible in this regard.

A new mayor (SPD) has been elected in our home market, however the CSU is now the strongest party in the city council. The period before local elections is generally more difficult than the start of a new legislative period, as no more politically relevant decisions are taken. It remains to be seen whether the complicated composition of the city council will meet the hopes for political bodies that are capable of taking action in future. The pace of project developments depends on this outcome.

From the first quarter of 2014 the company has been dealing with its largest organisational change to date. The company now has a second location in Hamburg with One Group, and integrating One Group into the company's

accounting and reporting and the existing risk management at ISARIA Wohnbau bring high demands. To date these processes have run smoothly.

4. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

At the date that this consolidated interim management report was prepared, the company was not aware of any material events that occurred after the balance sheet date and which have a material impact on the group's business growth.

5. FORECAST

Based on the financial statements for the first quarter of 2014, which were in line with forecast, we are confirming our forecast issued as part of our reporting on 31 December 2013 for 2014 as a whole for revenues of around € 100 million and positive earnings after taxes in the mid single digit millions.

Munich, 5 May 2014



Michael Haupt
Spokesman of the
Executive Board / CEO



Christian Dunkelberg
Member of the
Executive Board / CIO



Jan von Lewinski
Member of the
Executive Board / COO

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of 31 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM 1 JANUARY TO 31 MARCH 2014

	01/01/ - 03/31/ 2014	01/01/ - 03/31/ 2013
	k€	k€
SALES REVENUE		
a) from the sale of property units	27,539	4,125
b) from the lease of property units	767	762
c) from other deliveries and services	32	0
Change in inventories of properties held for sale with finished or unfinished buildings	-9,167	2,118
TOTAL OUTPUT	19,171	7,005
Cost of materials		
a) Expenses for the sale of property units	-11,632	-2,606
b) Expenses for the lease of property units	-613	-681
GROSS PROFIT	6,926	3,718
Personnel expenses	-1,241	-604
Depreciations / amortisation / impairment charges	-337	-119
Other operating income	261	812
Other operating expenses	-2,699	-1,757
EBIT	2,910	2,050
Financial income	117	478
Financial expenses	-3,843	-3,124
Result of associates accounted for using the equity method	87	269
FINANCIAL RESULT	-3,639	-2,376
CONSOLIDATED RESULT BEFORE INCOME TAXES	-729	-327
Income tax gains	287	65
CONSOLIDATED RESULT AFTER TAXES ON INCOME	-442	-262
of which attributable to the shareholders of ISARIA	-433	-254
of which attributable to non controlling interests	-9	-8
Other Comprehensive income	0	0
COMPREHENSIVE INCOME	-442	-262
of which attributable to the shareholders of ISARIA	-433	-254
of which attributable to non controlling interests	-9	-8
EARNINGS PER SHARE IN €		
Basic	-0.02	-0.01
Diluted	-0.02	-0.01

CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2014

Assets	03/31/ 2014	12/31/ 2013	Equity and liabilities	03/31/ 2014	12/31/ 2013
	k€	k€		k€	k€
I. Non-current assets	41,944	41,817	I. Equity	13,164	13,606
1. Intangible assets	9,485	9,704	1. Subscribed capital	23,764	20,764
2. Investment properties	14,626	14,699	2. Equity and Reserves	137,172	131,472
3. Property, plant and equipment	361	393	3. Balance sheet loss	-147,704	-147,270
4. Financial assets			4. Deposits made to execute the resolved capital increase	0	8,700
a) Investments in associates accounted for using the equity method	2,955	2,868	Consolidated equity of the majority shareholders	13,232	13,665
B) Other investments	37	37	5. Non controlling interests	-68	-59
5. Deferred tax assets	14,464	14,112			
6. Other accounts receivable	15	5	II. Non-current liabilities	78,849	66,697
			1. Compensation liabilities to shareholders in general partnership	59,814	47,712
II. Current assets	182,217	185,123	2. Financial liabilities to banks	15,288	15,355
1. Properties held for sales and other inventories			3. Deferred tax liabilities	1,336	1,453
a) Properties and equivalent rights with unfinished buildings	116,501	125,694	4. Other provisions	2,411	2,177
b) Properties and equivalent rights with finished buildings	640	640			
2. Accounts receivable from the sale of property	4,533	4,316	III. Current liabilities	132,148	146,636
3. Income tax receivables	535	77	1. Compensation liabilities to shareholders in general partnership	7,528	10,983
4. Other accounts receivable and financial assets	22,712	22,093	2. Financial liabilities from silent participations, shareholder loans and other forms of capital provision	55,947	47,447
5. Cash and cash equivalents	37,295	32,303	3. Financial liabilities to banks	12,871	12,282
			4. Trade accounts payable	13,144	15,127
			5. Liabilities from payments made on account	30,075	46,988
			6. Income tax liabilities	1,758	1,748
			7. Other provisions	1,963	2,143
			8. Other liabilities	8,861	9,919
Total assets	224,161	226,939	Total equity and liabilities	224,161	226,939

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FROM 1 JANUARY TO 31 MARCH 2014

	Subscribed capital	Deposits made to execute the resolved capital increase	Equity and Reserves	Balance sheet loss	Consolidated equity of the majority shareholders	Non controlling interests	Total consolidated equity
	k€	k€	k€	k€	k€	k€	k€
As of 1st January 2013	20,764	0	130,517	-148,316	2,965	45	3,009
Comprehensive Income	0	0	0	-254	-254	-8	-262
Financial guarantees by Josef L. Kastenberger / JK Holding GmbH	0	0	32	0	32	0	32
As of 31st March 2013	20,764	0	130,549	-148,571	2,742	37	2,779
As of 1st January 2014	20,764	8,700	131,472	-147,270	13,665	-59	13,606
Comprehensive Income	0	0	0	-433	-433	-9	-442
Deposits made to execute the resolved capital increase	3,000	-8,700	5,700	0	0	0	0
As of 31st March 2014	23,764	0	137,172	-147,704	13,232	-68	13,164

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY TO 31 MARCH 2014

	01/01/ - 03/31/ 2014	01/01/ - 03/31/ 2013*
	k€	k€
CONSOLIDATED RESULT BEFORE INCOME TAXES	-729	-327
Adjustments for the reconciliation from Consolidated result before income taxes to Cash flows from operating activities		
Depreciations / amortisation / impairment charges	337	119
Valuation allowances (+) / write-ups (-)	772	-108
Financial results	3,639	2,376
Other non-cash expenses / income	0	-163
Decrease (+) and increase (-) in properties held for sale and other inventories	8,432	-1,939
Decrease (+) and increase (-) in accounts receivable from the sale of property and of other accounts receivable and financial assets	-1,089	2,819
Increase (+) and decrease (-) in trade accounts payable and other current liabilities	-23,069	-1,517
Increase (+) and decrease (-) in other provisions	168	-250
Income taxes paid / refunded	-632	-508
CASH FLOWS FROM OPERATING ACTIVITIES	-12,171	503
Acquisition of intangible assets	-7	0
Acquisition of property, plant and equipment	-6	-2
Payments from the sale of investment properties	0	451
Interest received	4	8
CASH FLOWS FROM INVESTING ACTIVITIES	-9	457
Payments from taking out of financial liabilities	23,754	2,053
Repayments of financial liabilities	-5,914	-8,929
Interest paid	-1,680	-1,868
CASH FLOWS FROM FINANCING ACTIVITIES	16,160	-8,745
CHANGE IN CASH	3,980	-7,784
CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD	12,393	11,762
CASH AT THE END OF THE ACCOUNTING PERIOD	16,373	3,978

* adjusted

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 31 MARCH 2014

ISARIA Wohnbau AG (hereinafter also referred to as the "Company", „ISARIA“, or, in connection with its subsidiaries and affiliated companies as "ISARIA Wohnbau group" or the "Group") is an Aktiengesellschaft (public limited company) under German law. Shares of the company are listed on the Regulated Market of the Frankfurt Stock Exchange. ISARIA Wohnbau AG is the Group's parent company. It is registered with Local Court of Munich under registration number HRB 187909. The Company's registered office is Leopoldstraße 8, 80802 Munich, Germany.

The condensed consolidated interim financial statements (hereinafter also referred to as just the "consolidated interim financial statements") are presented in euros (€), as all of the Group's transactions are based on this currency and the euro is thus the Group's functional currency. If not otherwise stated, disclosures are made in thousands of euros (k€). We note that if rounded amounts and percentages are used, rounding may result in differences. This also relates to the totals and subtotals presented in the consolidated interim financial statements.

The consolidated statement of comprehensive income is prepared according to the type-of-expenditure format. The fiscal year used by ISARIA Wohnbau AG and its subsidiaries and joint venture companies included in the consolidated interim financial statements corresponds to the calendar year.

1. BUSINESS OPERATIONS

The ISARIA Wohnbau Group is a project developer for residential properties in the greater Munich area. The Group buys plots of land in attractive locations via independent special purpose entities/subsidiaries, plans residential properties in these locations, constructs these and then sells them. The business activities of the ISARIA Wohnbau Group include the divisions New Construction of Residen-

tial Property and Revitalization of Existing Properties. The latter also includes changing former commercial properties into residential properties under the brand "APP.ARTMENTS" created for this purpose.

The company's business model is geared to sell the apartments and houses built in full. ISARIA Wohnbau does not aim to rent or hold its stocks of apartments or houses. To date, the company has exclusively operated on the high-growth greater Munich region, and is currently looking into Hamburg as an additional location.

On 31 December 2013, ISARIA acquired a 100% interest in One Group GmbH with its registered office in Hamburg. The business activities of One Group GmbH and its subsidiaries (hereinafter also referred to as "One Group") mostly comprises the issue of project development funds for residential construction projects. One Group will be managed as a sub-group within the ISARIA Wohnbau group, and a new segment "One Group" has been formed in this regard. This segment will map this sub-group's results.

2. PRINCIPLES FOR PREPARING THE INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements for the period from 1 January to 31 March 2014 have been prepared in accordance with IAS 34 "Interim Reporting" as condensed consolidated interim financial statements. These consolidated interim financial statements do not include all of the information required for financial statements for a full fiscal year, and should be read in connection with the consolidated financial statements as of 31 December 2013.

The accounting and valuation methods used to prepare the consolidated interim financial statements fundamentally correspond to the methods used in the last consolidated financial statements as of 31 December 2013.

The consolidated interim financial statements as of 31 March 2014 were prepared in accordance with International Financial Reporting Standards (IFRS) applicable in

the European Union. All applicable mandatory standards were accounted for; there was no early application of voluntary standards. There was no impact on the accounting methods and the presentation of the financial position and results of operations from first-time application of the standards and interpretations.

3. CHANGES TO THE CONSOLIDATED GROUP

As of 31 March 2014, the consolidated interim financial statements comprise, in addition to ISARIA Wohnbau AG, 35 subsidiaries (31 December 2013: 33) and three joint ventures (figure unchanged compared to 31 December 2012) carried at equity.

During the period under review, two new shelf companies were formed to prepare for additional future projects. These companies were fully consolidated for the first time as of 31 March 2014.

4. SIGNIFICANT BUSINESS TRANSACTIONS

ENTRY OF CAPITAL INCREASE

The capital increase from the contribution by One Group was entered into the commercial register on 11 February 2014. The share capital of ISARIA Wohnbau AG now totals € 23,764,000, comprising 23,764,000 no-par value bearer shares.

NEW CORPORATE BOND ISSUED

In February 2014 the company issued a new corporate bond for € 10.0 million with a term to February 2015 and an interest rate of 8.0% p.a. This was fully subscribed.

EXECUTIVE BOARD MEMBERSHIP CHANGES

With effect from 1 January 2014 Mr Jan von Lewinski joined ISARIA Wohnbau AG's Executive Board as the new COO (Chief Operating Officer). He takes over this position from the former COO Christian Dunkelberg, whose contract, which has been in place since 2010, has been extended to the end of 2015 and who will be responsible for the CIO's tasks (Chief Investment Officer) in future.

As a result, the company will be run by a three-member Executive Board in future. Michael Haupt's appointment as CEO and Chairman of the Executive Board was extended to the end of 2017 in February 2014.

5. CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the Group's cash has changed in the course of the period under review through inflows and outflows of funds. In conformance with IAS 7, "Statement of cash flows", a distinction is made between cash flows from current business activities, investment activities, and financing activities. The cash in the cash flow statement exclusively comprises the freely available cash. If this is added to the cash with restricted availability in the amount of k€ 20,922 (previous year: k€ 12,280), this results in the cash disclosed on the balance sheet. This basis of presentation has been changed compared to the previous year. As a result, compared to the previous year the cash flow from operating activities and the downturn in receivables from the sale of land and other trade receivables and current receivables has risen by k€ 677.

6. SEGMENT REPORTING

	New De- velopments	Revita- lisation	One Group	Other	Consoli- dation/Rec- onciliation	Group
	k€	k€	k€	k€	k€	k€
SALES REVENUE - EXTERNAL						
01/01/ - 03/31/2014	3,601	24,002	32	702	0	28,338
01/01/ - 03/31/2013	4,187	0	0	700	0	4,886
SALES REVENUE - INTERNAL						
01/01/ - 03/31/2014	0	0	0	0	0	0
01/01/ - 03/31/2013	0	0	0	0	0	0
CHANGE IN INVENTORIES						
01/01/ - 03/31/2014	4,224	-13,391	0	0	0	-9,167
01/01/ - 03/31/2013	1,026	1,093	0	0	0	2,118
GROSS PROFIT						
01/01/ - 03/31/2014	7,825	10,611	32	702	0	19,171
01/01/ - 03/31/2013	5,212	1,093	0	700	0	7,005
DEPRECIATIONS						
01/01/ - 03/31/2014	-34	0	-16	-74	-213	-337
01/01/ - 03/31/2013	-43	-0	0	-76	0	-119
EBIT						
01/01/ - 03/31/2014	-522	4,448	-643	-159	-213	2,910
01/01/ - 03/31/2013	1,474	536	0	39	0	2,050
FINANCIAL INCOME						
01/01/ - 03/31/2014	113	0	1,384	0	-1,380	117
01/01/ - 03/31/2013	454	3	0	22	0	478
FINANCIAL EXPENSES						
01/01/ - 03/31/2014	-2,983	-1,177	-889	-173	1,380	-3,843
01/01/ - 03/31/2013	-2,400	-643	0	-81	0	-3,124
RESULT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD						
01/01/ - 03/31/2014	87	0	0	0	0	87
01/01/ - 03/31/2013	269	0	0	0	0	269
INCOME TAX EXPENSES (-)/ INCOME (+)						
01/01/ - 03/31/2014	37	353	-171	0	68	287
01/01/ - 03/31/2013	31	26	0	7	0	65
RESULT AFTER TAXES ON INCOME						
01/01/ - 03/31/2014	-3,269	3,624	-319	-333	-145	-442
01/01/ - 03/31/2013	-171	-77	0	-13	0	-262
VALUATION ALLOWANCES (-) / WRITE-UPS (+) ON INVENTORIES AND RECEIVABLES						
01/01/ - 03/31/2014	-579	-193	0	0	0	-772
01/01/ - 03/31/2013	15	98	0	-5	0	109

As a result of the first-time consolidation of One Group as of 31 December 2013, the income and expenses for this sub-group have been included in ISARIA Wohnbau AG's consolidated financial statements from 1 January 2014. One Group will form a material part of the overall group in future, and is included in the new "One Group" segment. This segment exclusively shows the success of the business activities for the One Group sub-group.

7. CONTINGENCIES, CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

With regard to contingencies, contingent liabilities and other obligations please refer to the presentation in the

notes to the consolidated financial statements for fiscal year 2013, as these substantially remain unchanged as of 31 March 2014.

8. ADDITIONAL NOTES CONCERNING FINANCIAL INSTRUMENTS

The following table shows by measurement category according to IAS 39 the carrying amounts and fair values for the financial assets and liabilities recognised in the consolidated financial statements:

	Assessment category as per IAS 39	03/31/2014 Carrying amount	03/31/2014 Fair Value	12/31/2013 Carrying amount	12/31/2013 Fair Value
		k€	k€	k€	k€
Assets					
Financial assets – Other investments	AfS	37	n/a	37	n/a
Accounts receivable from the sale of property	LaR	4,533	4,533	4,316	4,316
Other accounts receivable and financial assets	LaR	12,894	12,894	13,103	13,103
Cash and cash equivalents	LaR	37,295	37,295	32,303	32,303
Liabilities					
Compensation liabilities to shareholders in general partnership	FLAC	67,342	67,342	58,696	58,696
Financial liabilities from silent participations, shareholder loans and other forms of capital provision	FLAC	55,947	56,589	47,447	49,404
Financial liabilities to banks	FLAC	28,159	28,318	27,637	27,797
Trade accounts payable	FLAC	13,144	13,144	15,127	15,127
Other financial liabilities	FLAC	5,884	5,884	5,572	5,572

Depending on how financial instruments are categorised, they are subsequently measured either at fair value or at amortised cost using the effective interest rate method. Fair value is determined according to the following measurement steps:

Step 1: prices quoted on active markets (and adopted without change) for identical assets or liabilities

Step 2: input factors that are not the quoted prices considered in Step 1 but which can be observed either directly or indirectly (i.e., as derived from prices) for the asset or liability

Step 3: factors for measuring the asset or liability not based on observable market data (non-observable input factors)

At present, all fair values measured for financial instruments are based on information factors and input factors as described for Step 2 above.

9. MATERIAL TRANSACTIONS WITH RELATED PARTIES

ISARIA Wohnbau Group's related parties are unchanged compared to the consolidated financial statements as of 31 December 2013, therefore please also refer to the presentation in the notes to the consolidated financial statements for fiscal year 2013.

The following transactions were performed between the ISARIA Wohnbau Group and related parties during the period under review:

Transactions with related parties	Revenue	Expenses	Accounts receivable	Liabilities
	01/01/ - 03/31/ 2014	01/01/ - 03/31/ 2014	03/31/2014	03/31/2014
	k€	k€	k€	k€
JK-COR companies	87	0	0	0
JK Holding companies	0	1	0	0
Executive Board and Supervisory Board	2	424	0	41
Josef L. Kastenberger	26	0	1,502	0
Total	114	425	1,502	41

Transactions with related parties	Revenue	Expenses	Accounts receivable	Liabilities
	01/01/ - 03/31/ 2013	01/01/ - 03/31/ 2013	12/31/2013	12/31/2013
	k€	k€	k€	k€
JK-COR companies	269	0	0	0
JK Holding companies	0	0	0	0
Executive Board and Supervisory Board	5	169	0	85
Josef L. Kastenberger	213	202	1,502	0
Total	487	370	1,502	85

10. EMPLOYEES

On average there were 51 employees in the first three month of fiscal year 2014.

	03/31/2014	12/31/2013
NUMBER OF EMPLOYEES	53	50

11. EVENTS AFTER THE BALANCE SHEET DATE

At the date that these consolidated interim financial statements were prepared, the company was not aware of any material events that occurred after the balance sheet date and which have a material impact on the group's business growth.

Munich, 5 May 2014



Michael Haupt
Spokesman of the
Executive Board / CEO



Christian Dunkelberg
Member of the
Executive Board / CIO



Jan von Lewinski
Member of the
Executive Board / COO

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Page 7 – Johannes Seyerlein,
(stock) photo agencies

Financial Calendar

May 23, 2014: Annual General Meeting
Aug 14, 2014: Publication of Q2 Report
Nov 14, 2014: Publication of Q3 Report

FORWARD-LOOKING STATEMENTS AND FORECASTS

This interim report contains statements referring to the future. Forward-looking statements are statements which are not based on historical events and facts. These statements are based on assumptions, forecasts and evaluations of future developments by the management board. These assumptions, forecasts and evaluations were made on the basis of all the information which is available at the current time. If the assumptions of future developments used in the statements and evaluations do not materialise, the actual results might deviate from the current expectations. The management board and the Company do not accept any liability with regard to the actual materialisation of the forward-looking statements. The management board and the Company do not accept any obligation to continue any statements or adjust such to future events and developments over and above the legal requirements. This management report and the information contained herein do not form an offer for the sale or an offer to buy or subscribe securities of ISARIA Wohnbau AG within the Federal Republic of Germany or in any other country. In the United States, the shares of ISARIA Wohnbau AG may only be sold or offered for sale after prior registration or, without prior registration, on the basis of an exemption from the registration requirement according to the provisions of the 1933 US Securities Act in its currently valid version. ISARIA Wohnbau AG does not intend to carry out a public offer of shares in the United States.

