



Interim Report Q1 2016



Key Parameters

Operating performance indicators in € million	01/01/ - 03/31/2016	01/01/ - 03/31/2015
Sales revenue	4.8	14.5
Total output	37.1	15.2
Gross profit	1.3	6.1
EBITDA	-0.9	4.6
EBIT	-1.2	4.2
Financial result	-5.2	-4.0
Consolidated result after taxes	-6.4	0.2
Gross profit margin	27%	42%
EBIT margin	-25%	29%
Profit-turnover-ratio	-133%	1%

Balance sheet ratios in € million	03/31/2016	12/31/2015
Current assets	211.7	207.8
of which: Properties held for sale and other inventories	174.8	142.5
Equity	24.5	31.0
Equity ratio	8.7%	11.1%
Financial liabilities & compensation liabilities	216.5	205.6
of which: non-current	106.2	122.9
Balance sheet total	283.5	279.2

Key sales figures in € million	01/01/ - 03/31/2016	01/01/ - 03/31/2015
Notarized sales of the period	4	12
	03/31/2016	12/31/2015
Orders on hand*	20	20

Employees	03/31/2016	12/31/2015
Number of employees	58	62

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

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01 | TO OUR SHAREHOLDERS

Dear Shareholders,
Friends and Business Partners
of ISARIA Wohnbau AG,

for a residential project developer, the first quarter of the calendar year is dependent upon two factors: a) a 'surplus' from handovers not realised the previous year and b) the weather. The weather in the first quarter of 2016 was very mild, meaning that construction work was able to proceed on schedule. On the other hand, however, there was not much surplus from the previous year for us to work off in the first quarter of 2016 because we had been able to hand over all our planned completions on time at the end of 2015 and at sufficiently well-spaced intervals. The next handovers concerning further construction phases of *nido*, our

major project in Karlsfeld near Munich, will only happen in the second half of this business year. Accordingly, sales revenues for the reporting quarter remain low overall at € 4.8 million (Q1 2015: € 14.5 million) and gross profit is at just € 1.3 million compared to € 6.1 million in Q1 2015. In terms of overhead costs, we were fortunately able to achieve savings of around € 0.7 million compared to the same period the previous year. At € -1.2 million, earnings before interest and tax (EBIT) in the reporting period is nevertheless slightly negative compared to the € 4.2 million achieved in the same period of the previous year.

In terms of financial costs, we were able to make further progress in the first quarter of 2016 from an operational point of view. The financial result in the first quarter of 2016 of € -5.2 million (Q1 2015: € -4.0 million) is, however, affected by the decision to pay back the ProReal Deutschland Fonds 2 on June 30, 2016 issued by the One Group at the end of 2012. In January 2016, we had already replaced the last external mezzanine financing of € 10 million and in the middle of the year, we will repatriate € 25 million back to Fonds 2 investors. In doing so, we will have successfully replaced the two most expensive financial resources in the group. Current distributions of 8.4% p.a. are very attractive for the investors and, by using the capital, we have been able to successfully develop our projects. However, these conditions from 2012 are no longer contemporary. Due to the term of the fund, being originally planned to be longer, generated a non-cash present value adjustment of respective liabilities of € 1.7 million. Excluding this extraordinary effect, our financial expenses reduced by € 0.5 million, or by around 13%, compared to the same period the previous year. After repatriating the ProReal Deutschland Fonds 2 in the middle of the year, we will be able to save a further € 2.1 million in financial expenses over the following 12 months.

Preparatory measures initiated for starting construction of at least three major projects

Our project developments are also forging ahead on time. The *Tower* project development in Munich started at the beginning of March 2016 with the gutting of the building. The dismantling measures required to open up the supporting structure will be completed within one year. Construction work at further project developments in Hamburg and Munich respectively is also just about to start.

Outlook for 2016


The next major construction phases will, as already mentioned, be handed over in the second half of 2016. For the year as a whole, we continue to expect sales to be around € 100 million with a result in the mid-single-digit million euro range.

With the forthcoming major projects and through a further targeted expansion of our project portfolio, we seek to increase our annual revenue to around € 300 million within the next five years. For 2016, we are expecting to successfully complete several property acquisitions in Munich and Hamburg.

Munich, May 3, 2016



Michael Haupt
Spokesman of the
Executive Board / CEO



Jan von Lewinski
Member of the
Executive Board / COO

ISARIA Wohnbau AG's share

Share price performance

ISARIA shares made no progress in the first quarter 2016, despite two increases up to € 4.00, and ended trading at € 3.70, just under € 3.71, their price at the start of the year. This places them, however, between the performance of the sector indexes EPRA Germany (+7.1%) and EPRA Europe (-3.3%).

Analysts estimates show substantial upside potential

Analysts evaluated the ISARIA Wohnbau group and the share of ISARIA Wohnbau AG in 2016. Analysts of M.M.Warburg & Co. and FIRST Berlin continue to be very confident with respect to the medium- to long-term potential of our group. Both companies' quarterly reports include a 'Buy' recommendation for the share of ISARIA Wohnbau AG with a target price last amounting to € 5.32 (Warburg Research) and/or € 5.70 (FIRST Berlin).

Notifications of voting rights published

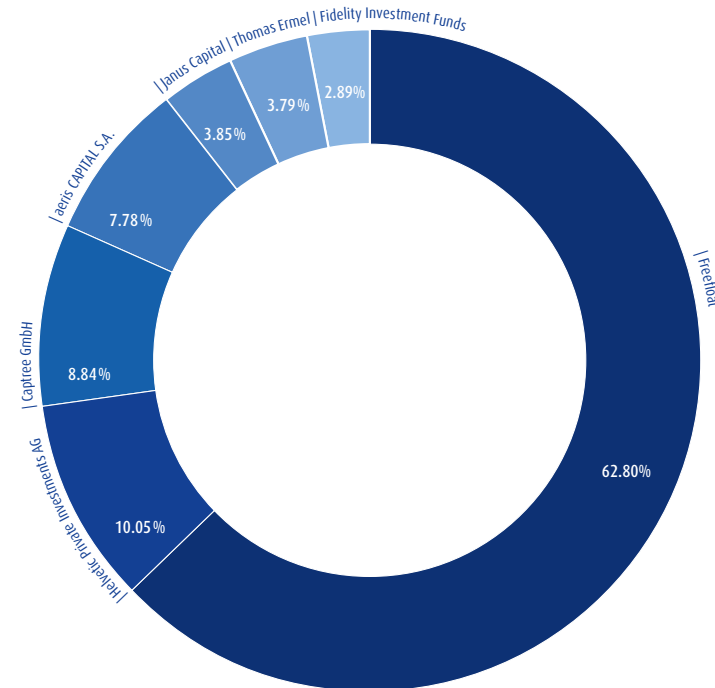
In the first three months of 2016, ISARIA Wohnbau AG received no notifications of voting rights in accordance with Section 21 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz/WpHG). All notifications of voting rights received by the company can be found on the company's website in the section Investor Relations / financial news / notifications of voting rights.

Development of ISARIA shares

in the first quarter of 2016 in comparison to sector indexes (indexed)



ISARIA Wohnbau AG's share | EPRA Europe | EPRA Germany



Shareholder structure

as of March 31, 2016

With respect to reportable shareholdings, our shareholder structure has been unchanged since April 2015, and continues to be characterised by institutional and private investors pursuing a predominantly long-term investment strategy.

Investor relations

The investor relations of ISARIA Wohnbau AG focus on achieving prompt, comprehensive communication with the financial community, continuity and the highest level of transparency, and are implemented in continual dialogue with analysts as well as existing and potential investors.

In the first quarter of financial year 2016, we maintained close contact with our analysts as well as existing and potential investors through a wide range of conversations. The management of ISARIA Wohnbau AG considers personal contact and regular interaction with capital market participants an integral part of capital market communication.

We also provide detailed information on the topic of investor relationships, our company and our share at www.isaria.ag, keyword Investor Relations. In addition to up-to-date news and dates, you can also access presentations as well as our annual and quarterly reports here.

Key data for ISARIA Wohnbau AG's share

Stock market ticker	IWB
Type of stock	No-par value transferable shares
ISIN	DE000A1E8H38
WKN	A1E8H3
Market segment	Regulated market, Prime Standard
Designated Sponsor	M.M. Warburg & Co., Hamburg ODDO Seydler, Frankfurt
Stock exchange	All German stock exchanges including Xetra

IPO	10 November 2010
Highest price 3 months (Xetra)	4.00
Lowest price 3 months (Xetra)	3.50
Closing price on 03/31/2016 (Xetra)	3.70
Number of shares outstanding	23,764,000
Market capitalisation in € million	87.9

02 | GROUP INTERIM MANAGEMENT REPORT

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 since 20 years. 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. In most cases project development involves obtaining planning permission for residential properties for areas which were previously used commercially. In so doing, the company focuses on locations in which at least one hundred apartments can be realised. In order to realise the highest earnings potential the property might also be sold in an earlier phase of the project development. The business activities of ISARIA Wohnbau include the divisions *New Construction* of residential property and *Revitalisation* of existing properties. The latter includes changing former commercial properties into residential properties under the *APP.ARTMENTS* brand.









The company's business model is to sell all apartments and houses that it has constructed. In order to deploy the funds invested in the projects as profitably as possible, the Executive Board permanently reviews the phases in which the best, risk-optimised realisation result can be achieved. The normal case is the turnkey-ready sale of single properties to private investors or owner-occupiers. In certain cases, it may also be meaningful to sell the projects before or after completion of the construction rights development. During the review, it could also prove to be beneficial to retain the property as an investment property. For example, when holding obligatory subsidised residential building projects or commercial properties temporarily in the portfolio promises a better financial result in the future. The prerequisite for recognition as an investment property is that the (currently favourable) primary interest rate situation

must allow for sufficient surpluses from the management of the property to provide a proper return on equity and that this equity is not necessarily required for current assets. This can be ensured, for example, with new financial products from the group's own financing platform. Overall, investment properties can continually generate rental income to offset the comparatively volatile project development business. In the case of investment properties, basically, these are also evaluated on an ongoing basis with respect to the options for restructuring and utilisation.




To date, the company, together with its SPEs, has exclusively operated on the high-growth greater Munich region where it has ranked among the market leaders for several years. However this position can only be upheld by making ongoing acquisitions and it cannot be expanded in a reasonable manner. Given this background, 2014 ISARIA Wohnbau took the strategic decision to expand its activities geographically and to include Hamburg as a second location. This is also in view of the fact that price levels in this city, which is next largest in terms of its size, are much lower than in Munich - while population growth is also strong and private households have comparable spending power. In 2014, the company acquired two projects and opened up an office in Hamburg. The company's headquarters, with all of the central departments, will continue to be in Munich.

ISARIA Wohnbau has its own financing platform within the group with One Group GmbH, Hamburg and its subsidiaries (hereinafter referred to as 'One Group'). The business activities of One Group mostly comprise conceiving, structuring and issuing project development funds for residential construction projects in Germany. In ISARIA Wohnbau's locations these funds invest exclusively in its projects. In other locations investments can also be made in external projects. One Group is run as a sub-group within the ISARIA Wohnbau group. The earnings of this sub-group are shown in the separate segment *One Group*.

T 01 | ISARIA Wohnbau's Projects – New Developments

Project	Special purpose entity	Location	Total number of housing units	Intended completion	Status
nido	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 10b	Karlsfeld am Prinzenpark	24	08/2016	
	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 10c		25	12/2017	
	ISARIA Wohnbau Objekt Karlsfeld 3 GmbH; Section 11c1 (terraced house)		6	02/2016	
	ISARIA Wohnbau Objekt Karlsfeld 3 GmbH; Section 12b		11	12/2016	
	ISARIA Wohnbau Objekt Karlsfeld 3 GmbH; sections 11c1 (apartment building) 11a2-c2, and 12a		36	12/2017	
Tübinger Straße	Wohnbau Objekt Tübinger Straße GmbH/ Wohnbau Objekt Hansasträße GmbH	Munich-Sendling/ Westpark	381	2018 - 2019	
Diamalt-Quartier	ISARIA Wohnbau Objekt Am Münchfeld GmbH	Munich-Allach	615	2018 - 2020	
Wohnpark Nord	ISARIA Holding GmbH & Co. Objekt Hörgensweg KG	Hamburg-Eidelstedt	800	2017 - 2020	

T 02 | ISARIA Wohnbau's Projects – Revitalisations

Project	Special purpose entity	Location	Total number of housing units	Intended completion	Status
Elsenheimerstraße	ISARIA GmbH & Co. Objekt Metropolis KG	Munich-Laim	350	12/2017	
Kapstadtring	Objekt Kapstadtring 1 GmbH	Hamburg-Winterhude	143	12/2017	
Tower	ISARIA Tower GmbH	Munich-Obersendling	270	12/2020	

Legende | Projekte

-  Plan B developed
-  Plan B development
-  preparation for start of construction
-  construction started
-  completed and handed over
-  building application submitted

The projects listed in the tables T 01 and T 02 will allow ISARIA Wohnbau to generate its future revenue volume.

Key events in the period under review

Transfer of the benefits and obligations for the plot of land for the *Tower* project development

On January 4, 2016, upon payment of the final purchase price instalment, we assumed the benefits and obligations for the plot of land for the *Tower* project development. It will thus now be possible to commence the first construction operations for this large project development in Munich.

Scheduled repayment of a bond

At the end of January 2016, as scheduled, the last bond of k€ 10,000 was repaid to the Stratos Fund. From now on, in the area of mezzanine capital, the group will finance itself solely via its in-house financing platform, which consists of the One Group and its project development funds.

Repayment of the ProReal Deutschland Fonds 2

At the end of March 2016, the decision was made to liquidate and return to investors the ProReal Deutschland Fonds 2 issued by One Group at the end of 2012 with € 25.4 million in raised capital - at the end of the scheduled project duration of June 30, 2016. Up until now, it was planned to draw the option of extending by one year. In comparison to the currently distributed fund ProReal Deutschland Fonds 4 this fund has had significantly higher payout rates to investors. The group's financial expenses will continue to improve with the repayment of this fund. Financially, this decision initially results in an additional one-off expense of the financial expense during the reporting period due to a present value adjustment of fund liabilities in the amount of k€ 1,658. However, this one-off expense is off-set by future payments to investors saved in the amount of k€ 2,147.

Developments of construction projects

In the first quarter of 2016, the *nido* project in Dr. Johann-Heitzer-Straße, in Karlsfeld West, so far only saw the completion and handing over of six terraced houses from one construction stage, which apart from that had already been completed in 2015. ISAR-IA Wohnbau is constructing a total of 553 residential units in twelve construction stages on the 115,000 sqm plot. Of these units, 457 had been handed over by the reporting date. As of April 1, 2016, a total of 62 housing units were under construction and, apart from one show home, they have already been sold or reserved to a great extent. The next construction phases are scheduled to be ready for handover in the third quarter of 2016. The planning applications for the final building phases that have not yet been started and which have a total of 34 units were all submitted in December 2015. The issuance of the remaining building permits is expected shortly. The start of sales of additional construction zones currently depends on these relevant planning permissions being issued.

Project Developments Munich

Political 'YES' for the planned project development was granted for the *Tower* project in Munich-Ober-SENDLING with the initial resolution by the City Council of Munich on December 16, 2015, on the basis of the winning design submitted by the architectural firm Meili, Peter Architekten Munich as part of the two-stage planning procedure. On January 4, 2016, the building was handed over to us by the previous owner. The gutting work of the building was started at the beginning of March 2016. The required dismantling measures which will open up the supporting structure will be completed within one year. Simultaneously, construction planning and urban land-use planning will be executed in coordination with the state capital of Munich. The scheduling of the project-based development plan procedure envisages an approval decision by the state capital of Munich in the first/second quarter of 2017. Upon receipt of the approval decision, an application should be made for a building permit shortly after.

With respect to the *Diamalt-Quartier* project in Munich-Allach, the basic outline resolution was adopted by the City Council on July 29, 2015. From September to December 2015, urban development and landscape-architectural competitions were staged in coordination with the state capital of Munich. The winning design was chosen on December 15, 2015. At the beginning of March 2016 the Committee of City Planning and Building Regulation made the decision to continue the development plan process on the basis of the winning design. The early involvement of the public shall take place in the second quarter of 2016, signalling the completion of another milestone in the construction of a further large residential district.

For the building in Elsenheimerstraße in Munich we already have a positive preliminary building application to convert this to a boarding house/living complex. A second preliminary building application regarding planning questions was answered June 15, 2015. The architect and technical planners have adjusted their planning in accordance with this and continue to prepare the draft plan for subsequent approval. Alternative concepts are also being explored and evaluated in this context.

The *Tübinger Straße* property includes an abandoned production site in Munich-Westpark. This site, i.e. the properties on the parallel streets that border each other to the rear, is shared between the special purpose entities Wohnbau Objekt Hansastraße GmbH and Wohnbau Objekt Tübinger Straße GmbH. The land had previously been uniformly built over, and the redevelopment secured with the preliminary building permit from May 2014 also provides for a uniform development predominantly focused on residential and to a lesser extent commercial (mainly retail). Since the takeover of the special purpose entities in the second quarter of 2015, the company has been looking into the feasibility of developing the two plots separately. Privately funded residential and retail space shall be allocated on the Tübinger Straße plot. A boarding house concept (serviced apartments) is currently being developed for the Hansastraße plot of land. Part of the vacant

production halls on these two plots is rented out temporarily to the City of Munich until June 30, 2016, for the accommodation of refugees. The management of this accommodation is the sole responsibility only of the City of Munich. Demolition works will begin in the third quarter of 2016.

For all our Munich project developments City Council decisions or preliminary building permits are now available for the respective targeted residential development.

Project Developments Hamburg

In regards to the office building in Kapstadtring in Hamburg, a boarding house concept was selected after conducting an internal assessment of possible future use options. The plans for this boarding house were prepared accordingly and, in August 2015, the respective planning application was submitted. Coordination efforts with the monument preservation office have already been completed. Current planning has been approved. The presentation was delivered to the building committee at the beginning of April 2016. The building permit is expected to be issued in May 2016. According to this schedule, building work is already set to start in mid-2016. The development of the boarding house concept (serviced apartments) will run simultaneously.

Continuing efforts are being made with the district administration and Hamburg's Senate to obtain the building rights for the plot of land in Hamburg Nord. A preliminary approval for an 'express construction' pursuant to Section 246 of the German Building Code (BauGB) is expected in the third quarter of 2016. The approval for the remaining building rights is anticipated by the end of 2017. The competition for the urban development concept will also run simultaneously between May and July 2016.

II. Overall Economic Developments

According to the spring forecast of the Institute for the World Economy (IfW) in Kiel in March 2016, the German economy is proving to be robust in a difficult environment. The driving forces continue to be a strong level of private consumption and rising investment activity. The favourable development in the job market and the stable prospects for income, as well as temporary factors such as low oil prices, have led to the strongest increase in GDP for 15 years.

Residential construction will continue to benefit from these extremely positive general conditions, in particular, from the continued extremely low financing costs but also from the lack of alternative investments and, in the opinion of the IfW, the sector will continue to grow even faster than in the previous year.

III. Developments on the real estate markets in Germany and Munich

The market for residential project developers

The real estate economy in Germany (as an indicator for the current situation) initially registered month-for-month losses in the first quarter of 2016. The value only increased in April 2016 by 2.9%, and currently remains at 1.1% below the closing value for 2015. The real estate climate (as an indicator for the further outlook) was at a high, but not a peak level in the first quarter of 2015. In April 2016, it stood at 5.9% below the level attained at the end of 2015. The climate for the housing construction sector was no exception at -4.3%. However, it remains the most attractive asset class and thus a 'safe harbour' in comparison with the other asset classes. A decline of this size was last registered in June 2015. The reason for this deterioration is attributable to the supply side, where there is now talk of product availability having reached 'limited' or even 'critical' levels. Due to a limited supply, prices for owner-occupier

residential property in Germany are continuing to increase strongly, according to a monthly report by the Federal German Bank in February 2016. Price rises are also gaining in breadth and are increasingly affecting rural areas. The price index for residential real estate in the seven largest cities has increased by 45% since 2010. In 2015 alone, owner-occupier apartments became 6.5% more expensive - terraced and detached houses, 5%.

The underlying conditions in the real estate sector can thus continue to be regarded as being excellent for residential project developers. They therefore continue to enjoy an excellent environment in all of Germany's high-growth regions.

The effects of regulations enacted in mid-2015 to slow increases in rent prices and to reinforce the principle of the ordering party for agency fees (Mietrechtsnovellierungsgesetz – German Rental Law Amendment Act – MietNovG) continue to be hotly discussed in the media. A sustainable impact on the real estate market has yet to materialise. Currently there is no recognisable trend in either levels of rent or new build real estate sales.

Developments on the housing market in Munich

Munich is one of Germany's top places to live. Its attractiveness has remained unchanged since our last in-depth reporting in our 2014 annual report. Munich as a location continues to take first place in many national studies with regard to factors relevant for the real estate market, such as economic and structural indicators, location strength and future-proof locations. As a result, Munich is ranked first also in the HWWI/Berenberg city ranking 2015 introduced in October 2015. This study examined the 30 largest cities in terms of their future viability. Munich also continues to hold one of the top places in international rankings, for example it takes second place in the City Investment Intensity Index recently published by Jones Lang Lasalle (JLL) or fourth place in the study on the quality of life published by Mercer in

February 2016. Munich's high-performance economic structure can be seen in factors including the largest number of company headquarters per resident. It is the most productive German city and is often called the 'City of the DAX groups'. As a consequence, Munich is also the highest-priced location for residential real estate in Germany.

These sustainable and very positive underlying conditions let to continued high demand on the Munich residential real estate market over the past few years, with a substantial increase in prices. According to the preliminary market analysis by the City of Munich's Committee of Experts ('Gutachterausschuss'), there was a repeated strong increase in price levels within the residential real estate market in the year 2015. Based on an annual comparison, the rate of price increases stood at approx. 12% for residential plots of land, for plots of land for multi-storey apartment buildings at approx. 8% and for owner-occupier apartments (new build and existing) at an average of 7%. The strongest increase was seen in the middle price category. The distinction between residential locations shows that price elasticity is highest in average locations, i.e. the apartments are still relatively affordable there. This is the segment in which ISARIA Wohnbau AG is predominantly represented.

Since 2014, the subject of a 'property bubble' has been increasingly discussed. Indeed, the gap between renting and buying residential property is expanding significantly in Munich's property market (and not just there). However, just looking at price changes alone is not totally meaningful. On the one hand, available household income must not be ignored when considering the affordability of owner-occupier residential property. When looking at rental and owner-occupier costs respectively in relation to the development of purchasing power, it becomes clear, according to an analysis by the Cologne Institute for Economic Research (Institut der deutschen Wirtschaft Köln e.V.), that both the acquisition of owner-occupier residential property and the renting of property in the German metropolises - including Munich - have become more affordable on

the whole since 2010. Furthermore, buying is even more affordable than renting, including in Munich. The primary cause of this is the trend in interest rates. On the other hand, at least in Munich, the price trend can also be fundamentally substantiated. Demand for residential accommodation in Munich continues to be high. An average of 80 people move to Munich every day. In theory that means 50 new apartments every day. More than 300,000 people have thus moved to Munich over the past 15 years. As such, the City of Munich reported in May this year that its number of residents had passed the 1.5 million mark. And according to the latest forecast, until 2030 the city should grow to more than 1.7 million inhabitants.

This means that Munich is far from a surplus scenario. On the contrary: the continuing high level of demand among private and professional investors for residential property in Munich has thinned out the supply to the market for some time. The number of sales within the residential and shared ownership market also dropped in 2015 again against the previous year period (-3%). This makes 2015 the third year in a row in which the Committee of Experts ('Gutachterausschuss') in Munich has reported a decline in the number of sales. This development in contract numbers documents the limited supply - or now prevailing lack of apartments. This can, in turn, be overcome only by a significant and sustainable expansion of construction activity. There has been, however, a noticeable decrease in the number of building permits based on an assessment of the first three quarters of 2015. According to a JLL report from February 2016, there were almost a third fewer apartments approved by the end of October 2015. This corresponds to the lowest approval level since 2010. Consequently the sustainable increase in completions shall become something of a distant future in years to come, meaning that an increase in prices is inevitable. Already in 2014, the number of completions dropped to approx. 6,300 apartments (after 7,904 in 2013), thus missing the annual new build target of 8,500 apartments set by the City of Munich. Furthermore, when taking into consideration prior population dynamics and the additional residents

as a result of an influx of refugees, other institutes predict a requirement of 15,000 to 20,000 apartments per year, a number far greater than the figure calculated by the City of Munich, and three-to-four times as many apartments as are being built today. Moreover, unlike in some other large German cities, the space available for construction in Munich continues to decrease. For example, in the metropolitan area, there are only enough sites for around 46,000 apartments. Therefore, closer cooperation between Munich and the surrounding regions will be of key importance for further development.

There is currently no indication that the market situation will ease over the medium term, nor that there will be substantial price declines, or for that matter, a price bubble in the Munich real estate market. Homebuyers are still prepared to buy properties, despite increasing or higher purchase prices - and this applies to both investors and also owner occupiers, with the properties on offer still being very limited.

ISARIA Wohnbau is well prepared for this development with its existing project pipeline of more than 2,000 residential units.

Developments on the housing market in Hamburg

The residential real estate market in Hamburg has also not changed since our last report at the end of 2015. Hamburg unites strong spending power with a high number of residents, as is the case in Munich. The real estate market in this city with its 1.8 million residents is the third largest in Germany in terms of requirements for new properties, following Berlin and Munich. Real estate prices in Hamburg are among the highest in Germany. According to a recent study by Postbank, Hamburg leads the top cities with the best future prospects for property development up to 2030, even beating Munich at 2nd place. In the 'Brandmeyer Stadtmarken-Monitor' 2015 (a 'city brand' survey), Hamburg actually has top ranking as

the favourite city in Germany, even ahead of Munich. As a result, demand is also expected to outstrip supply over the long term in Hamburg. At present, there is a lack of around 30,000 residential units in order to cover requirements. This is clearly due to the relatively low construction activity in the previous years. Since 2013 the annual construction covers at least the target defined by the local 'Alliance for living in Hamburg' ('Bündnis für das Wohnen in Hamburg') of 6,000 apartments per year. Both this target and the projection by the Federal Institute for Building, Urban Affairs and Spatial Development (BBSR) of a new build requirement of approx. 9,500 apartments are no longer sufficient in light of the current influx of refugees. The Hamburg Senate is therefore planning to meet demand by way of simplified building permits and large-scale housing development.

In the second half of 2015, purchase prices for newly constructed apartments in Hamburg were around € 4,330 per square metre, which represents a slight increase of € 140 per square metre on the previous half-year. The portfolio showed the first stagnation in prices in the second half of 2015. The continued price trend remains to be seen. Due to the price level that is lower compared to Munich, an increasing number of tenants are in search of a freehold apartment at similar monthly financial charges.

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.

bulwiengesa has identified a group of five leading residential property developers in Munich. All of the other companies in this group have been family-owned for decades and the 'second youngest' has already been operating on the market for 45 years. Based on a sufficiently large and strategic project pipeline, developing residential properties in Munich is thus clearly one of the least crisis-hit business models in the real estate industry. According to the 2015 project developer study published in May 2015, ISARIA Wohnbau is currently the second largest project developer for residential properties in Munich.

Competitive position of ISARIA Wohnbau in Hamburg

The market for residential construction project developers in Hamburg is structured similarly to Munich. The ten largest residential project developers in Hamburg have a combined share of more than 30% of the total project volume in the residential segment. The largest Hamburg housing market player here is Behrendt Wohnungsbau. By a very close margin, it is followed by ECE, Otto Wulff, Aug. Prien and NCC, which are all very close to one another.

With the properties secured in 2014, ISARIA Wohnbau has laid the foundations to also rank among the TOP 10 residential project developers in Hamburg in future.

2. Financial position and results of operations

During the first three months of 2016 individual sales of € 3.9 million (prior year period: € 12.4 million) were notarised. The amount of the individual sales continues to be mostly due to building permits for the major project *nido* in Karlsfeld not being issued quickly enough or to the required extent.

Notarised sales less units already transferred resulted in a nearly unchanged order book of € 20.0 million on March 31, 2016 (December 31, 2015: € 19.9 million). This order book secures future revenues.

I. Results of operations

As our projects are realised over multiple years, the disclosure of revenues is subject to substantial accounting fluctuations, which affect the ability to compare these figures with previous years.

The earnings position of ISARIA Wohnbau during the first three months of 2016 was characterised by expected minimal sales revenues from the hand-over of residential units. The resulting gross profit

is insufficient to cover fixed costs and financial expenses for the current period. Financing costs were also impacted by an additional one-off expense resulting from the present value adjustment of fund liabilities due to an adjustment of the underlying residual maturity of ProReal Deutschland Fonds 2 in the amount of k€ 1,658. This one-off expense is off-set, however, by future financial expenses saved in the amount of k€ 2,147. In conclusion, this has resulted in a negative consolidated result for the reporting period.

The revenue volume (revenues from the sale of property units and from rentals as well as from other receivables) totalled k€ 4,812 in the first three months of fiscal year 2016 (Q1 2015: k€ 14,449). As revenues are generally only recognized upon completion (handover) in the accounts, and not continuously in line with the percentage of completion, the amount of revenues disclosed every period depends on the respective completion dates of the individual construction properties and is thus subject to strong fluctuations. Revenues are primarily due to the income from the residential units handed over in the respective period. In the first three months of 2016, this was mostly due to the hand-overs of residential units in one further construction stage (section 11c) in the *nido* construction project (ISARIA Wohnbau Objekt Karlsfeld 3 GmbH).

Total output includes revenues as well as the change in inventories of ongoing construction properties according to construction progress as well as the acquisition of plots of land (increase in inventories) and handovers (decrease in inventories) in the current reporting period. In the reporting period the ISARIA Wohnbau group had a net increase in inventories of k€ 32,280 (previous year period: k€ 696). Here, the transfer of the benefits and obligations of the plot of land in *Tower* Project to the special purpose entity has led to an increase in inventories of k€ 28,000. The corresponding item is located in material expenses.

The cost of materials rose by k€ 26,694 from k€ 9,102 in the first three months of 2015 to k€ 35,796 in the first three months of 2016. This increase is the result

of the above-stated acquisition of the plot of land in the *Tower* Project. The remaining change reflects the slightly lower volume of construction, when compared with the same period in the previous year.

Both the absolute gross profit and the gross profit margin are below the respective previous year's figures, due to lower sales revenues. The accounting gross profit margin currently stands at 27%, compared with 42% in the previous year period. For the whole business year 2015, overall gross profit margin reached 36%, whereas the margin spread for the individual construction stages varied widely.

Other operating income in the period under review in the amount of k€ 871 (Q1 2015: k€ 2,172) include earnings from the derecognition of a liability in the amount of k€ 704. In addition, this item also includes k€ 41 from the reversal of provisions (Q1 2015: k€ 208). Furthermore, an entitlement to compensation payments for downstream costs the company had already paid in previous years for a legacy property in the amount of k€ 1,599 is contained in the previous year's figure.

Personnel expenses decreased by 12% or k€ 185 to k€ 1,422 compared to k€ 1,607 over the same period of the previous year. Personnel expenses in the previous year period were increased by bonus payments made to the Executive Board for the previous business year 2014, which exceeded the corresponding amount accrued. Over the period of the first three months of 2016, the ISARIA Wohnbau group had in average 60 employees (compared to 59 employees in average over the same period in 2015).

Other operating expenses are lower by k€ 472 at k€ 1,623 in the first three months of 2016 (Q1 2015: k€ 2,095). Legal and advisory costs are less by k€ 212 than the figure of the previous year period. Guarantee and follow-up costs decreased by k€ 158. The lower sales revenues are also mirrored by the lower increase in the provision for guarantees for the units handed over during the reporting period. Furthermore, sales commissions and advertising costs were k€ 127 below the figure for the previous year period.

see T 03
Results of
operations

T 03 | Results of operations

	01/01/ - 12/31/2016 k€	01/01/ - 12/31/2015* k€	Change k€
Revenues	4,812	14,499	-9,687
Total output	37,091	15,195	21,896
Cost of materials	-35,796	-9,102	-26,694
Gross profit	1,295	6,093	-4,798
<i>Gross profit margin</i>	27%	42%	--
Personnel expenses	-1,422	-1,607	185
Other operating income	871	2,172	-1,301
Other operating expenses	-1,623	-2,095	472
EBIT	-1,225	4,227	-5,452
Financial result	-5,214	-4,036	-1,178
EBT	-6,440	190	-6,630
Income tax expenses/ gains	36	24	12
Comprehensive income	-6,404	215	-6,619

* adjusted prior-year figures due to a change in measurement methods for investment properties

Earnings before interest and taxes (EBIT) are negative at k€ -1,225 and decreased by k€ 5.452 compared to the previous year (k€ 4,227). In relation to revenues this results in a negative EBIT margin of -25% (Q1 2015: 29%).

The negative financial result in the first three months of 2016 has increased by k€ 1,178 to k€ -5,214 compared to k€ -4,036 in the same period of the previous year. Financial income was lower than in Q1 2015 (k€ 59), totalling k€ 1 in the first three months of 2016. Financial expenses increased in the first three months of 2016 compared to the same period of the previous year (k€ 4,092) by k€ 1,119 to k€ 5,211. This does include, however, the one-off effect of the present value adjustment of fund liabilities in the amount of k€ 1,658 as already described above. Had this one-off effect not been incurred, financing expenses would have been further reduced by k€ 539 or approx. 13% in comparison to the previous year period. The result from participating interests carried at equity totalled k€ -4 in the period under review (Q1 2015: k€ -3).

The consolidated earnings before taxes for the period under review are with k€ -6,440 negative, compared with k€ 190 slightly positive pre-tax earnings over the same period of the previous year. Income tax income in the amount of k€ 36 (Q1 2015: income in the amount of k€ 24) led to earnings after taxes of k€ -6,404 (Q1 2015: k€ 215).

Business activities in the *One Group* segment are mostly reflected in the financial result. *One Group* recorded a negative financial result of k€ -1,536 in the period under review (Q1 2015: k€ 38). At k€ 2,905, financial income has significantly increased in comparison to the comparative period (k€ 2,590) due to a correspondingly higher volume of investment. The financial expenses amounted to k€ 4,441 in the reporting period in comparison to k€ 2,551 in the same period of the previous year. k€ 1,658 thereof are attributable to the one-off effect during the reporting period already described above

from the adjustment of the present value of fund liabilities due to an adjustment of the underlying residual maturity of ProReal Deutschland Fonds 2. In total, (non-cash) expenses from the adjustment for the present value of compensation liabilities to the funds’ unit holders in the reporting period were k€ -4,351 (Q1 2015: k€ -508). The difference compared to the same period in the previous year beyond the one-off effect described is due to the fact that the distributions for the fourth quarter 2015 to unit holders in the fund mainly occurred in December 2015. In the same period in the previous year, on the other hand, distributions for the fourth quarter 2014 were made in the first quarter 2015. This generated a significant liquidity surplus during the reporting period which carries the overhead costs. Overhead costs in the period under review (personnel expenses, amortisation/depreciation, other operating expenses) totalled k€ 628 (Q1 2015: k€ 584). Considering income tax income of k€ 17 (Q1 2015: expense of k€ 24), on the whole this led to negative segment earnings after taxes of k€ -863 (Q1 2015: k€ -305), prior to the consideration of the amortisation of intangible assets acquired as part of the acquisition of One Group GmbH. This corresponds to the economic segment earnings included in internal reporting. However, the intangible assets acquired as part of the acquisition of One Group GmbH are also to be allocated to the *One Group* segment at a group level. These were subject to scheduled amortisation in the period under review in the amount of k€ 283 (Q1 2015: k€ 283). This is offset by the resulting reversal of deferred tax liabilities in the amount of k€ 91 (Q1 2015: k€ 91). In total this results in negative earnings after taxes for the *One Group* segment of k€ -2,228 (Q1 2015: k€ -497).

The course of business for the group as a whole in the first three months of 2016 developed according to plan in terms of sales revenues, financing and overhead costs. The one-off expense of k€ 1.658 within the financial expenses from the adjustment of the underlying residual maturity in the ProReal Deutschland Fonds 2 was not planned.

Fair values of properties held for sale

At a project developer such as ISARIA Wohnbau, central assets - properties held for sale and inventories under construction - are carried at cost. This is a fundamental difference between the balance sheet for the ISARIA Wohnbau group and that of a real estate holding company, where central assets are carried at their market values. In order to make these figures still comparable with those from real estate holding companies the company has identified the fair value of these stocks itself using residual value calculations that are standard on the market, and had these confirmed by an external expert. In this valuation method an expert estimates the income values in agreement with the project developers. The budgeted completion costs including a reasonable profit margin for the developer are deducted from the income values. The residual amount in this valuation method gives the market value of our project developments. The company then uses these market values to calculate the net asset value (NAV) according to EPRA standards, the figure used internationally to assess real estate companies, for reasons of comparison. When calculating the EPRA NAV, ISARIA Wohnbau uses its equity before minority interests, supplemented by hidden reserves from the calculation of the residual values of the inventories. In 2014, the

recoverability of the market values was confirmed by a sale, which exceeded the book value as well as the residual value.

For a project developer NAV analysis is only useful for assessment of risk. It is used to determine the value above the book value at which the projects in the current stage of development can be sold to third parties. However, the enterprise value of a developer or its shares is also determined by future profits that can be generated from the realisation of these and other projects at present and in the future. As a result, the enterprise value will regularly be significantly higher than the NAV.

The company conducts these calculations considering the EPRA Best Practice Recommendations from December 2014. According to these recommendations, ‘Trading Properties’ are to be included at their market value without considering deferred taxes, as the EPRA NAV shall reflect the real estate value of the equity. According to this method, as of December 31, 2014 the EPRA NAV for the ISARIA Wohnbau group was k€ 112,763. On December 31, 2015, the EPRA NAV increased to k€ 120,944. This is mainly due to the increased equity.

Calculations for residual values and thus the EPRA NAV are only updated every six months.

see T 04
EPRA NAV

T 04 | EPRA NAV - ISARIA Wohnbau group

	12/31/2015 k€	12/31/2014 k€
Equity before non-controlling interests	30,955	23,349
Hidden reserves of inventories	89,989	89,414
EPRA NAV	120,944	112,763
Number of shares	23,764	23,764
NAV per share	5.09	4.75

see T 05
assets

II. Net assets

The company's net assets are mostly characterised by an increase in inventories due to the acquisition of the plot of land for the *Tower* Project in the first quarter of 2016. Total assets rose however, by only 1.6% to € 283,510 on March 31, 2016 compared to € 279,174 on December 31, 2015.

Non-current assets increased only slightly to k€ 71,798 on March 31, 2016 compared to December 31, 2015 (k€ 71,340). This is mainly due to capitalised costs relating to investment properties currently under construction. This was offset mainly by amortisation of intangible assets.

Current assets rose by 1.9% to k€ 211,711 on March 31, 2016 compared to December 31, 2015 (k€ 207,833). Properties held for sale and other inventories increased on balance by k€ 28,000 through the acquisition of the benefits and obligations relating to the plot of land for the *Tower* Project in January 2016, following the payment of the final purchase price instalment. The further increase in the properties held

for sale and other inventories has resulted from the ongoing activation of construction costs in line with construction progress, less the units which were handed over. In connection with the acquisition of the *Tower* plot of land payments made in advance, which were previously stated under 'Other receivables', were reclassified to 'Inventories', leading to a reduction in 'Other receivables' of k€ 14,000. The reduction in cash by k€ 12,537, from k€ 32,011 for the period ending December 31, 2015 to k€ 19,473 by the end of the reporting period, is both the result of this payment of the purchase price and the repayment of the last bond to the Stratos Fund in the amount of k€ 10,000.

III. Financial position

Equity decreased to k€ 24,550 as of the balance sheet date compared to December 31, 2015 (k€ 30,955) in line with the negative consolidated earnings after taxes. As a result, the equity ratio decreased from 11.1% to 8.7%.

T 05 | Net assets

	03/31/2016 k€	12/31/2015 k€	Change k€
Non-current assets	71,798	71,340	458
Current assets	211,711	207,833	3,878
<i>of which: Properties held for sale and other inventories</i>	174,774	142,495	32,280
Equity	24,550	30,955	-6,405
<i>Equity ratio</i>	8.7%	11.1%	--
Non-current liabilities	114,552	131,328	-16,776
Current liabilities	144,408	116,890	27,518
Balance sheet total	283,510	279,174	4,336

Non-current liabilities fell by k€ 16,776 to k€ 114,552 on March 31, 2016 compared to k€ 131,328 on December 31, 2015. This decrease is primarily the result of a re-classification of the non-current portion of compensation liabilities to shareholders in general partnerships from the ProReal Deutschland Fonds 2 to the current liabilities, due to the scheduled repayment for June 30, 2016, which was decided during the reporting period. The previous balance sheet approach was calculated on the basis of an extension of this fund by one year.

Current liabilities increased by k€ 27,518 or 24% to k€ 144,408 on the balance sheet date compared to k€ 116,890 on December 31, 2015. In the first instance, the current portion of compensation liabilities to shareholders in general partnership increased on balance by k€ 25,990 primarily due to the amended maturities in the ProReal Deutschland Fonds 2 as well as further raised capital in the ProReal Deutschland Fonds 4 during the reporting period. In addition, current financial debt to banks increased by a total of k€ 11,614. This is primarily attributable to a new bank credit taken over for a project development in the amount of k€ 15,500. By contrast, current

financial liabilities to non-banks, were reduced to zero, following the repayment of the last bond to the Stratos Fund in the amount of k€ 10,000 during the reporting period.

Cash in the ISARIA Wohnbau group declined compared to December 31, 2015 (k€ 32,011) by k€ 12,538 and totalled k€ 19,473 on the balance sheet date. As of March 31, 2016 the group could freely dispose of these funds in the amount of k€ 6,716 (December 31, 2015: k€ 17,119).

The decrease in freely disposable cash is due to the cash flow from operating activities in the amount of k€ -16,414 (Q1 2015: k€ -28,171), the cash flow from investing activities of k€ -53 (Q1 2015: k€ 11) and the cash flow from financing activities in the amount of k€ 6,064 (Q1 2015: k€ -26,203).

The cash flow from operating activities totalled k€ -16.414 in the period under review after k€ 28,171 in the previous year period and is mostly due to the consolidated earnings before income taxes in the amount of k€ -6,440 plus the financial result (k€ 5,214),

see T 06

Financial position

T 06 | Financial position

	03/31/2016 k€	12/31/2015 k€	Change k€
Cash	6,716	17,119	-10,403
	01/01/ - 03/31/2016 k€	01/01/ - 03/31/2015*	Change k€
Cash flow from			
operating activities	-16,414	28,171	-44,585
investing activities	-53	11	-64
financing activities	6,064	-26,203	32,267

* adjusted prior-year figures due to a chance in measurement methods for investment properties

the increase in properties held for sale of k€ 33,030 and the downturn in receivables from the sale of property and other receivables and financial assets of k€ 17,587.

The cash flow from investing activities in the first three months of 2016 amounted to k€ -53 (Q1 2015: k€ 11).

The cash flow from financing activities in the first three months of 2016 amounted to k€ 6,064 (Q1 2015: k€ -26,203). The inflow from drawing down financial liabilities for the ongoing construction activities in the amount of k€ 21,856 (Q1 2015: k€ 7,504) exceeded the repayment of financial liabilities in the amount of k€ 15,161 (Q1 2015: k€ 31,986) and interest payments in the amount of k€ 631 (Q1 2015: k€ 1,721).

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 information in the group management report for fiscal year 2015. From January 1, 2016, no risks have been entered into or have become perceptible which would lead to a different assessment.

4. Report on the 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.

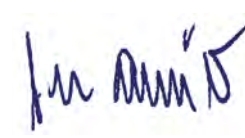
5. Forecast

On the basis of the on-schedule development of business operations during the first three months of 2016, the current progress of construction in the major project *nido* in Karlsfeld, and the orderly progress being made in the area of project developments we affirm our forecast of key financial indicators for the whole of 2016, which was submitted as part of the report for the period ending December 31, 2015.

Munich, May 3, 2016



Michael Haupt
Spokesman of the
Executive Board / CEO



Jan von Lewinski
Member of the
Executive Board / COO

03 | CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

from 1 January to 31 March 2016

	01/01/ - 03/31/ 2016 k€	01/01/ - 03/31/ 2015* k€
Sales revenue		
a) from the sale of property units	3,728	13,327
b) from the lease of property units	1,079	1,167
c) from other deliveries and services	4	5
	4,812	14,499
Change in inventories of properties held for sale with finished or unfinished buildings	32,280	696
Total output	37,091	15,195
Cost of materials		
a) Expenses for the sale of property units	-35,020	-8,371
b) Expenses for the lease of property units	-776	-731
	-35,796	-9,102
Gross profit	1,295	6,093
Personnel expenses	-1,422	-1,607
Depreciations / amortisation / impairment charges	-345	-336
Other operating income	871	2,172
Other operating expenses	-1,623	-2,095
EBIT	-1,225	4,227
Financial income	1	59
Financial expenses	-5,211	-4,092
Result of associates accounted for using the equity method	-4	-3
Financial result	-5,214	-4,036
Consolidated result before income taxes	-6,440	190
Income tax expenses	36	24
Consolidated result after income taxes	-6,404	215
of which attributable to the shareholders of ISARIA	-6,401	225
of which attributable to non controlling interests	-3	-10
Other Comprehensive income	0	0
Comprehensive income	-6,404	215
of which attributable to the shareholders of ISARIA	-6,401	225
of which attributable to non controlling interests	-3	-10
Earnings per share in €		
Basic	-0.27	0.01
Diluted	-0.27	0.01

* adjusted prior-year figures due to a change in measurement methods for investment properties

Consolidated Balance Sheet

as of 31 March 2016

Assets	03/31/2016 k€	12/31/2015 k€
I. Non-current assets	71,798	71,340
1. Intangible assets	7,071	7,362
2. Investment properties	48,915	48,165
3. Property, plant and equipment	686	687
4. Financial assets		
a) Investments in associates accounted for using the equity method	775	779
5. Deferred tax assets	14,250	14,247
6. Other accounts receivable	101	101
II. Current assets	211,711	207,833
1. Properties held for sale and other inventories		
a) Properties and equivalent rights with unfinished buildings	173,551	142,323
b) Properties and equivalent rights with finished buildings	1,223	172
2. Accounts receivable from the sale of property	4,376	6,207
3. Income tax receivables	3,742	3,317
4. Other accounts receivable and financial assets	9,345	23,804
5. Cash	19,473	32,011
Total assets	283,510	279,174

Equity and liabilities	03/31/2016 k€	12/31/2015 k€
I. Equity	24,550	30,955
1. Subscribed capital	23,764	23,764
2. Equity and Reserves	68,967	68,967
3. Balance sheet loss	-68,499	-62,096
Consolidated equity of the majority shareholders	24,232	30,635
4. Non controlling interests	318	320
II. Non-current liabilities	114,552	131,328
1. Compensation liabilities to shareholders in general partnership	87,511	104,247
2. Financial liabilities to banks	18,701	18,650
3. Deferred tax liabilities	4,818	4,938
4. Other provisions	3,522	3,493
III. Current liabilities	144,408	116,890
1. Compensation liabilities to shareholders in general partnership	32,708	6,718
2. Financial liabilities from silent participations, shareholder loans and other forms of capital provision	0	10,000
3. Financial liabilities to banks	77,566	65,953
4. Trade accounts payable	8,719	7,043
5. Liabilities from payments made on account	12,756	12,072
6. Income tax liabilities	2,785	3,954
7. Other provisions	7,224	8,101
8. Other liabilities	2,651	3,050
Total equity and liabilities	283,510	279,174

Statement of Changes in Consolidated Equity

from 1 January to 31 March 2016

	Subscribed capital	Equity and Reserves	Balance sheet loss		Consolidated equity of the majority shareholders	Non controlling interests	Total consolidated equity
	k€	k€	k€		k€	k€	k€
As of 01/01/2015*	23,764	137,120	-137,532		23,352	-3	23,349
Comprehensive Income	0	0	153		153	-10	143
As of 03/31/2015*	23,764	137,120	-137,379		23,505	-13	23,492
Adjustment according to IAS 8	0	0	72		72	0	72
Adjusted as of 03/31/2015*	23,764	137,120	-137,307		23,577	-13	23,564
As of 01/01/2016	23,764	68,967	-62,096		30,635	320	30,955
Comprehensive Income	0	0	-6,401		-6,401	-3	-6,404
As of 03/31/2016	23,764	68,967	-68,499		24,232	318	24,550

* adjusted prior-year figures due to a change in measurement methods for investment properties

Consolidated Cash Flow Statement

from 1 January to 31 March 2016

	01/01/ - 03/31/2016 k€	01/01/ - 03/31/2015* k€
Consolidated result before income taxes	-6,440	190
Adjustments for the reconciliation from Consolidated result before income taxes to Cash flows from operating activities		
Depreciations / amortisation / impairment charges	345	336
Valuation allowances (+) / write-ups (-)	-2	9
Financial results	5,214	4,036
Decrease (+) and increase (-) in properties held for sale and other inventories	-33,030	-696
Decrease (+) and increase (-) in accounts receivable from the sale of property and of other accounts receivable and financial assets	17,587	48,187
Increase (+) and decrease (-) in trade accounts payable and other current liabilities	2,017	-22,360
Increase (+) and decrease (-) in other provisions	-849	-1,146
Income taxes paid (-) / refunded (+)	-1,258	-386
Cash flows from operating activities	-16,414	28,171
Acquisition of intangible assets	-1	0
Acquisition of property, plant and equipment	-63	-26
Payments from the sale of property, plant and equipment	10	0
Interest received	1	37
Cash flows from investing activities	-53	11
Net payments from taking out of financial liabilities	21,856	7,504
Repayments of financial liabilities	-15,161	-31,986
Interest paid	-631	-1,721
Cash flows from financing activities	6,064	-26,203
Change in cash	-10,403	1,979
Cash at the beginning of the accounting period	17,119	17,003
Cash at the end of the accounting period	6,716	18,982

* adjusted prior-year figures due to a chance in measurement methods for investment properties

Selected Explanatory Notes

to the condensed Consolidated Interim Financial Statements as of 31 March 2016

ISARIA Wohnbau AG (hereinafter also ‘company’, ‘ISARIA’ or in conjunction with its subsidiaries and joint ventures ‘ISARIA Wohnbau group’) is a listed corporation under German law. Shares of the company are listed on the Regulated Market of the Frankfurt Stock Exchange (Prime Standard). 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 consolidated 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. Unless other-wise indicated, all figures are expressed in thousands of euros (k€). We wish to point out that commercial rounding may result in slight discrepancies when rounded sums and percentages are used. This applies also to the totals and subtotals reported in the consolidated financial statements as well as within separate tables.

The consolidated statement of comprehensive income is prepared according to the aggregate cost method. 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.

The ISARIA Wohnbau group is a project developer for residential properties. 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 ISARIA Wohnbau group include the divisions *New Construction* of residential property and *Revitalisation* of existing properties. The latter includes changing former commercial properties into residential properties under the *APP.ARTMENTS* brand.

The company's business model is to sell all apartments and houses that it has constructed. In order to deploy the funds invested in the projects as profitably as possible, the Executive Board permanently reviews the phases in which the best, risk-optimised realisation result can be achieved. The normal case is the turnkey-ready sale of single properties to private investors or owner-occupiers. In certain cases, it may also be meaningful to sell the projects before or after completion of the construction rights development. During the review, it could also prove to be beneficial to retain the property as an investment property. For example, when holding obligatory subsidised residential building projects or commercial properties temporarily in the portfolio promises a better financial result in the future. The prerequisite for recognition as an investment property is that the (currently favourable) primary interest rate situation must allow for sufficient surpluses from the management of the property to provide a proper return on equity and that this equity is not necessarily required for current assets. This can be ensured, for example, with new financial products from the group’s own financing platform. Overall, investment properties can continually generate rental income to offset the comparatively volatile project development business. In the case of investment properties, basically, these are also evaluated on an ongoing basis with respect to the options for restructuring and utilisation.

To date, the company, together with its SPEs, has exclusively operated on the high-growth greater Munich region where it has ranked among the market leaders for several years. However this position can only be upheld by making ongoing acquisitions and it cannot be expanded in a reasonable manner. Given this background, 2014 ISARIA Wohnbau took the strategic decision to expand its activities geographically and to include Hamburg as a second location. This is also in view of the fact that price levels in this city, which is next largest in terms of its size, are much lower than in Munich - while population growth is also strong and private households have comparable spending power. In 2014, the company acquired two projects and opened up an office in Hamburg. The company's headquarters, with all of the central departments, will continue to be in Munich.

ISARIA Wohnbau has its own financing platform within the group with One Group GmbH, Hamburg and its subsidiaries (hereinafter referred to as 'One Group'). The business activities of One Group mostly comprise conceiving, structuring and issuing project development funds for residential construction projects in Germany. In ISARIA Wohnbau's locations these funds invest exclusively in its projects. In other locations investments can also be made in external projects.

One Group is run as a sub-group within the ISARIA Wohnbau group. The earnings of this sub-group are shown in the separate segment *One Group*.

The consolidated interim financial statements for the period from January 1, to March 31, 2016 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 December 31, 2015.

The investment properties in ISARIA Wohnbau group since the middle of the fiscal year 2015 are no longer estimated at acquisition or production cost less depreciation and impairment losses, but at their fair value (new valuation model according to IAS 40). The fair value method is now used for the accounting provides more reliable, more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance and cash flows to the cost method previously used. Due to the retrospective application of this voluntary change in the valuation policy for the financial properties, the figures of previous years were adjusted according to IAS 8. In the consolidated statement of comprehensive income of the corresponding period of the previous year, depreciation decreased due to the voluntary change in accounting policy from k€ 408 (corresponding period of the previous year reported) by k€ 72 to k€ 336. Because of this adjustment, the consolidated comprehensive income of the corresponding period of the previous year increased from k€ 143 to k€ 215. The retrospective adjustments are presented in accordance with the change in the group's equity. For further details concerning the impact on the financial year 2015, please refer to the 2015 annual report.

Apart from that the accounting and valuation methods used to prepare the consolidated interim financial statements correspond to the methods used in the last consolidated financial statements as of December 31, 2015.

The consolidated interim financial statements as of March 31, 2016 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.

As of March 31, 2016, the consolidated interim financial statements comprise unchanged, in addition to ISARIA Wohnbau AG, 37 subsidiaries (December 31, 2015: 37) and unchanged three joint ventures carried at equity.

Transfer of the benefits and obligations for the plot of land for the Tower project development

On January 4, 2016, upon payment of the final purchase price instalment, we assumed the benefits and obligations for the plot of land for the *Tower* project development. It will thus now be possible to commence the first construction operations for this large project development in Munich.

Scheduled repayment of bonds

At the end of January 2016, as scheduled, the last bond of k€ 10,000 was repaid to the Stratos Fund. From now on, in the area of mezzanine capital, the group will finance itself solely via its in-house financing platform, which consists of the One Group and its project development funds.

Repayment of the ProReal Deutschland Fonds 2

At the end of March 2016, the decision was made to liquidate and return to investors the ProReal Deutschland Fonds 2 issued by One Group at the end of 2012 with € 25.4 million in raised capital - at the end of the scheduled project duration of June 30, 2016. Up until now, it was planned to draw the option of extending by one year. In comparison to the currently distributed fund ProReal Deutschland Fonds 4 this fund has had significantly higher payout rates to investors. The group's financial expenses will continue to improve with the repayment of this fund. Financially, this decision initially results in an additional one-off expense of the financial expense during the reporting period due to a present value adjustment of fund liabilities in the amount of k€ 1,658. However, this one-off expense is off-set by future payments to investors saved in the amount of k€ 2,147.

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. 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€ 12,757 (previous year: k€ 21,270), this results in the cash disclosed on the balance sheet.

T 01 | Segment reporting

in k€	New Construction	Revita- lisation	One Group	Other	Consolidation/ Reconciliation	Group
Sales revenue - external						
01/01/ - 03/31/2016	3,872	95	185	660	0	4,812
01/01/ - 03/31/2015	11,484	2,097	180	738	0	14,499
Sales revenue - internal						
01/01/ - 03/31/2016	0	0	0	0	0	0
01/01/ - 03/31/2015	0	0	25	0	-25	0
Change in inventories						
01/01/ - 03/31/2016	2,025	30,191	0	63	0	32,280
01/01/ - 03/31/2015	487	-230	439	0	0	696
Gross profit						
01/01/ - 03/31/2016	5,897	30,286	185	723	0	37,091
01/01/ - 03/31/2015	11,971	1,867	644	738	-25	15,195
Depreciations						
01/01/ - 03/31/2016	-38	0	-306	-2	0	-345
01/01/ - 03/31/2015*	-27	0	-306	-2	0	-336
EBIT						
01/01/ - 03/31/2016	-2,403	1,936	-799	41	0	-1,225
01/01/ - 03/31/2015*	3,743	990	-602	96	0	4,227
Financial income						
01/01/ - 03/31/2016	0	0	2,905	0	-2,904	1
01/01/ - 03/31/2015	37	0	2,590	0	-2,568	59
Financial expenses						
01/01/ - 03/31/2016	-1,708	-1,959	-4,441	-7	2,904	-5,211
01/01/ - 03/31/2015	-2,919	-1,128	-2,551	-62	2,568	-4,092
Result of associates accounted for using the equity method						
01/01/ - 03/31/2016	-4	0	0	0	0	-4
01/01/ - 03/31/2015	-3	0	0	0	0	-3
Income tax expenses (-) / income (+)						
01/01/ - 03/31/2016	-71	-1	107	0	0	36
01/01/ - 03/31/2015	-25	-17	66	0	0	24
Result after taxes on income						
01/01/ - 03/31/2016	-4,186	-24	-2,228	34	0	-6,404
01/01/ - 03/31/2015*	833	-155	-497	34	0	215
Valuation allowances (-) / write-ups (+) on inventories and receivables						
01/01/ - 03/31/2016	2	0	0	0	0	2
01/01/ - 03/31/2015	-9	0	0	0	0	-9

* adjusted prior-year figures due to a chance in measurement methods for investment properties

With regard to contingent liabilities and other financial obligations please refer to the presentation in the notes to the consolidated financial statements for fiscal year 2015. With the exception of an outstanding purchase price payment of k€ 14.000 made in January 2016, contingent liabilities and other financial liabilities as of March 31, 2016 remain largely unchanged.

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:

T 02 | Carrying amounts and fair values

	Assessment category as per IAS 39	03/31/2016 Carrying amount	03/31/2016 Fair Value	12/31/2015 Carrying amount	12/31/2015 Fair Value
k€					
Assets					
Accounts receivable from the sale of property	LaR	4,376	4,376	6,207	6,207
Other accounts receivable and financial assets	LaR	6,685	6,685	7,135	7,135
Cash and cash equivalents	LaR	19,473	19,473	32,011	32,011
Liabilities					
Compensation liabilities to shareholders in general partnership	FLAC	120.219	126.609	110,964	118,753
Financial liabilities from silent participations, shareholder loans and other forms of capital provision	FLAC	0	0	10,000	10,000
Financial liabilities to banks	FLAC	96,267	96,431	84,603	84,737
Trade accounts payable	FLAC	8,719	8,719	7,043	7,043
Other financial liabilities	FLAC	355	355	1,152	1,152

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.

ISARIA Wohnbau group’s related parties are unchanged compared to the consolidated financial statements as of December 31, 2015, therefore please also refer to the presentation in the notes to the consolidated financial statements for fiscal year 2015.

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

T 03 | Transactions with related parties

in k€	Revenue	Expenses	Accounts receivable	Liabilities
	01/01/ - 03/31/2016	01/01/ - 03/31/2016	03/31/2016	03/31/2016
JK-COR companies	0	4	0	81
Executive Board and Supervisory Board	5	346	0	0
Total	5	350	0	81

k€	01/01/ - 03/31/2015	01/01/ - 03/31/2015	12/31/2015	12/31/2015
JK-COR companies	59	0	0	81
Executive Board and Supervisory Board	0	459	0	0
Total	59	459	0	81

On average there were 60 employees in the first three months of fiscal year 2016.

	03/31/2016	12/31/2015
Number of employees	58	62

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

Munich, May 3, 2016



Michael Haupt
Spokesman of the
Executive Board / CEO



Jan von Lewinski
Member of the
Executive Board / COO

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The German version of this interim report is legally binding.

Financial Calendar

August 12, 2016
Publication of Q2 Report

November 14, 2016
Publication of Q3 Report

November 21 – 23, 2016
German Equity Forum, Frankfurt/Main

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 Executive Board and the company do not accept any liability with regard to the actual materialisation of the forward-looking statements. The Executive 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 interim 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.

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