

INTERIM REPORT

AS OF 30 JUNE 2014
ISARIA WOHNBAU AG



ISARIA Wohnbau Group Key Parameters

OPERATING PERFORMANCE INDICATORS IN € MILLION	01/01/ - 06/30/2014	01/01/ - 06/30/2013	Q2 2014	Q2 2013
Sales revenue	58.0	6.1	29.7	1.2
Total output	42.4	15.0	23.3	8.0
Gross profit	14.9	6.4	8.0	2.7
EBIT	6.5	2.7	3.6	0.6
EBITDA	7.2	3.2	3.9	0.9
Financial result	-5.9	-4.6	-2.3	-2.2
Consolidated result after taxes	0.9	-1.9	1.4	-1.6
Gross profit margin	26 %	106 %	27 %	231 %
EBIT margin	11 %	44 %	12 %	54 %
Profit-turnover-ratio	2 %	-31 %	5 %	-137 %
Cashflow from operating activities	-13.6	0.9		
Cashflow from investing activities	0.1	1.2		
Cashflow from financing activities	15.4	-11.0		

BALANCE SHEET RATIOS IN € MILLION	06/30/2014	12/31/2013
Current assets	177.8	185.1
of which: Properties held for sale and other inventories	110.7	126.3
Equity	14.5	13.6
Financial liabilities	79.4	75.1
of which: non-current	14.1	15.4
Balance sheet total	217.5	226.9

KEY SALES FIGURES IN € MILLION	01/01/ - 06/30/2014	01/01/ - 06/30/2013
Notarized sales of the period	38	59
	06/30/2014	12/31/2013
Orders on hand*	94	113

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

Employees	06/30/2014	12/31/2013
Number of employees	51	50

SHARE	
ISIN	DE000A1E8H38
WKN	A1E8H3
Market segment	Prime Standard
Highest price 6 months (Xetra)	3.67
Lowest price 6 months (Xetra)	2.36
Closing price on 06/30/2014 (Xetra)	3.67

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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

The first six months of 2014 were right on track, and thus very pleasing. We were able to hand over the property we revitalised in Vogelweidestrasse under the APP.ARTMENTS brand and also the apartments in the current major project "Nido" in Karlsfeld scheduled for handover in the first six months in full. As part of this project, we received the first construction segment realised by a general contractor we engaged in 2012. Both, we and our customers are convinced by the excellent quality and adhesion to deadlines here, and we are very pleased that we will now realise almost all of the further construction stages in Karlsfeld together with this partner. The handovers in the first six months led to revenues of € 58 million. This is already more than half the annual revenues we had forecasted, and is already more than in the whole of 2013.

As the special purpose entity for the "APP.ARTMENTS" project was consolidated for the first time in 2013 according to IFRS, a material proportion of the entire operating margin for this project has already been taken directly to equity and is thus no longer reflected in the earnings for the current fiscal year. These are € 3.4 million based on the revenues shown to date in 2014. As a result, the EBIT margin in the period under review only totals a good 11%. After adjustment for this factor, our EBIT margin totals 18.0%. However, our EBIT still totalled € 6.5 million. This means that this figure has more than doubled year-on-year. On the whole, we are confirming our forecast of consolidated earnings after taxes in the medium single-digit millions range for the year as a whole.

During the second half of the current fiscal year, we will continue to focus on successfully processing of our current high order book. In Karlsfeld alone we currently have 188 residential units under construction, of which

more than 95% have already been sold. The next major handovers are scheduled for the fourth quarter.

Furthermore, 60% of our forecast revenues of a good € 100 million for 2015 have already been sold with notarised contracts, and a further 10% has been bindingly reserved. The following pages present images from Karlsfeld, showing the on-track progress of construction there. In 2015 we will realise the high margins from the price increases in the past few years at this project.

In our interim report as of 31 March 2013 we announced that we will use new financial latitude and the capacity we have now acquired in our now three-strong Executive Board to make new acquisitions. With this report we can announce execution for our APP.ARTMENTS brand. With this product we have created so far more than 350 state-of-the-art apartments in former office premises, however we did not have a follow-on project in our project pipeline. We have now acquired corresponding office properties in Hamburg (majority acquisition via One Group) and also in Munich.

In May, the company's founder Mr. Josef Kastenberger sold his package of around 20% of our shares. Half of this package was acquired by an international investor, the remainder increased our free float to 50%. Larger holdings in our company are now only held by private and institutional investors in Germany and abroad, no shareholder holding more than 11% of our capital. As part of the sale of his shares our receivables from Mr. Kastenberger were settled as well, terminating the last economic links to him. Along with this a significant increase in interest in our shares could be seen. ISARIA Wohnbau AG's share price increased by 36% in the second quarter and totalled € 3.67 on 30 June 2014.

On 30 June we also updated the calculation of the company's NAV according to EPRA, which we first performed at the end of 2013. Our NAV per share has increased to € 4.33. This means that there is still substantial upwards potential for our share price, even if based only on the net value of our assets, despite the increase already seen.

meeting in May 2014 where you, our shareholders, unanimously approved all of the management's proposals.

Munich, 8 August 2014

Thank you for the trust you have placed in our company to date, and in particular for your support at our general

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

CONSTRUCTION PROGRESS IN THE NIDO PROJECT IN MUNICH-KARLSFELD

Terraced houses in the construction section
WA 12C – Handovers planned for Q4 / 2014

Terraced houses in construction section
WA 9 – Handovers done in Q2 / 2014

Multi-family houses in the construction
section WA 8A – Handovers planned
for Q4 / 2014



From the construction site to a dream residence

ISARIA Wohnbau AG's "Nido" project is currently the largest residential construction project in the Dachau county, and is directly adjacent to Munich's city limits.

At present, a total of 544 residential units are being created at the former Bayernwerk site all around the landscaped lake and Prinzenpark. These residential units are structured in eight quarters and twelve construction stages.

Karlsfeld will steadily grow from its current total of around 18,000 to around 20,000 inhabitants after this project is completed and when the new houses and apartments have been occupied.

At the end of last year the new owners in the "Kastanien" quaters moved into their new homes.

Construction zones in the Kastanien quaters prior to the start of construction in June 2012



Kastanien quaters seen from above



THE NEW OWNERS ENJOYING THEIR FIRST SUMMER IN THE KASTANIEN QUATERS

In summer in particular, the Kastanien quaters offer a particular quality of life. Individually and lovingly designed gardens with flowering plants create colourful oases which soothe the neighbourhood.

There are tons of opportunities for kids to enjoy themselves, while their parents relax on the terraces.

Neighbourliness is a major factor in the Kastanien quaters: if you want, there are plenty of opportunities to meet your neighbours – or you can just kick back and relax and enjoy being on your own in your own four walls, or in the sunshine in your front garden.



Top: terraced houses with individually designed gardens

Right: penthouses with sumptuous roof-top terraces

Left: multi-family homes, all with a balcony or garden



Impressions of the terraced houses



**WE CREATE
NEW VALUES**

GROUP INTERIM MANAGEMENT REPORT

as of 30 June 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 first quarter of the period 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 Authorised Capital

ISARIA Wohnbau AG’s 2014 ordinary general meeting on 23 May 2013 resolved to cancel existing 2012 Authorised Capital, and to authorise the Managing Board to increase the company’s share capital, with the approval of the Supervisory Board, by up to € 11,882,000.00 by issuing up to 11,882,000.00 new no-par value bearer shares against cash or non-cash contributions on one or several occasions (2014 Authorised Capital).

As a rule, shareholders have subscription rights. However, the Managing Board is authorised to exclude shareholders’ subscription rights, with the approval of the Supervisory Board, in line with the proposal announced in the invitation to the company’s General Meeting on 15 April 2014 under agenda item 6, as published in the Federal Gazette.

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	completed
	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
APP.ARTMENTS	Living Bogenhausen GmbH	Munich-Bogenhausen	167	03/2014	completed
	gindiwo Gesellschaft für individuelle Wohnungsprivatisierung Objekt St. Bonifatius Strasse mbH - rear building		21	03/2014	completed
St. Bonifatius	gindiwo Gesellschaft für individuelle Wohnungsprivatisierung Objekt St. Bonifatius Strasse mbH - front building	Munich-Giesing	22	12/2014	construction in progress
	ISARIA Tower GmbH		Munich-Obersendling	328	12/2018
Am Münchfeld	ISARIA Wohnbau Objekt Am Münchfeld GmbH	Munich-Allach		458	2017 – 2018

The corresponding change to the Articles of Association was entered in the commercial register of Munich Local Court (HRB 187909) on 13 June 2014.

Repayment of JK Fonds I in line with prospectus

The last deposits were repaid to investors of JK Fonds I (JK Wohnbau Fonds I Beteiligungs GmbH & Co. KG) on 30 June 2014. As a result, JK Fonds I has been fully repaid in line with the prospectus with a total amount of € 38 million over the last two years.

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. Since 21 May 2014 it has also been included in OTC trading (Quotation Board) on the Frankfurt Stock Exchange for corporate bonds with ISIN DE000A1YCPQ6.

Acquisition of property

The company has now created more than 350 apartments in former office properties under the "APP.ARTMENTS" brand. As there was no successor project in the project pipeline, systematic acquisitions were made in the Revitalisation segment.

During the first half of the year, corresponding office properties were acquired in Hamburg (majority acquisition via One Group) and also in Munich. The projects will generate future revenues of around € 80 million.

Exit of a former shareholder

The former Executive Board member and company founder Mr. Josef Kastenberger parted company with his entire share package in June 2014. As a result of his exit as a shareholder, the company's receivables from him in the amount of € 1.5 million were settled in full. This transaction had a value date of 1 July 2014.

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.

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 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. In the second quarter of 2014, a total of 35 terraced houses in the next stage WA 9 were completed and handed over for individual ownership. On 1 July 2014, there were further 188 residential units under construction, of which more than 95% 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 75% 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 Wohn-

bau is realising a total of 544 residential units on this 115,000 m² site.

In the "APP.ARTMENTS" revitalisation project in Vogelweidestrasse 5 in Munich-Bogenhausen with a total of 167 apartments, 118 had been handed over through to 30 June 2014. The remaining apartments are being sold and handed over on an ongoing basis.

In the two developments "Am Münchfeld" and "Tower", obtaining building rights is being further driven. The intention to quickly create additional residential construction rights has been clearly expressed; however this is being hampered by tedious implementation by the authorities, 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 still in 2014. In the "Tower" project in Munich-Obersending, 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

The economic indicators that were available by June signalize a continuation of the gradual recovery in the second quarter of 2014 for the Euro zone. Germany is in a far better position at present. In June 2014 the ifw confirmed its forecast already published in March, that Germany is about to enter into an economic boom. This dynamic growth will be driven by private consumption and also by investments. The "ultraexpansive" monetary environment is also contributing to this.

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 a lack of alternative investments and the continuing insecurity. For this segment the institute is forecasting growth of 5.1% in 2014 and 4.3% in 2015.

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

THE MARKET FOR RESIDENTIAL PROJECT DEVELOPERS

According to the June 2014 edition of the Hypo Real Estate Economic Index (Hypo-Immobilienkonjunktur-Index), which is published monthly, the real estate sector in Germany (as an indicator for the current situation) also continued to grow in the second quarter of 2014, and in June 2014 it was up by 3.9% compared to the 2013 year-end figure. In contrast, the real estate climate (as an indicator for future perspectives) fell slightly in the second quarter of 2014 by -0.7%, and is thus still at the same level as at the end of 2013 and appears to be settling at this level. The climate for residential construction is also continuing at a stable high level and continues to be the most attractive asset class compared to the other classes, 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.

According to current statements from the Federal Ministry of Justice, the planned so-called “rental price block” is not only not to be applied for initial rentals, but is not to be applied at all for new residential properties. This could make new residential properties even more attractive for both private and also institutional investors.

DEVELOPMENTS ON THE HOUSING MARKET IN MUNICH

The real estate market in Munich also continues to be highly attractive following our last report. 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.

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. In its annual report for 2013, the Munich Committee of Experts reported a price increase of around 13% for new owner-occupied apartments in Munich in the whole of 2013 compared to the previous year. The increase for newly built terraced houses is between 10% and 15%. However, consultants and market watchers have been reporting that prices for new apartments are growing more slowly or have even been stagnating over the past few months. The Internet portal ImmoScout24 even reported a downturn of 3.6% between January and

the end of May 2014. However this does not show that the trend is turning around, but only that the extraordinary situation is coming to an end, and things are getting back to normal.

More recently, the subject of a “property bubble” has been increasingly discussed. If purchase prices increase significantly faster than rents over an extended period, this points to the market overheating, as no sustainable returns can be expected any more. This price growth would also have to part company permanently from the underlying economic conditions. In contrast to the German average, where rents and purchase prices have moved in parallel to date, on the Munich market the gap between rents and purchase prices for residential properties has been increasing substantially. Based on a study by bulwiengesa, rents have increased by 24% since 2000, whereas purchase prices have increased by 73%. However, just looking at price changes alone is not totally meaningful. At least in Munich, there are mostly fundamental reasons for this development. Additional factors, including growth in demand, also play a key role in the development of a price bubble.

The high 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. The City of Munich’s Statistics Office reports that the City of Munich covered the requirement for the construction of 7,000 new apartments annually as 7,904 apartments were completed 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. According to the Institute for the German Economy in Cologne, however, there was still a shortfall between completion and demand of 3,793 apartments in 2013 in Munich. In addition, the space available for con-

struction in Munich is continuing to decrease – in contrast to other German cities.

As a result, there are currently no indicators that the situation on the market will relax over the medium term, and thus no indicators for a price bubble on 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.

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 bulwiengesa, 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.

Notarised sales in the second quarter of 2014 totalled € 22.1 million (Q2 2013 € 27.7 million) and was thus a

good 40% higher than sales in the first quarter of € 15.4 million. It was thus possible to record notarised sales of € 37.5 million in the first six months of 2014 (H1 2013: € 59.2 million).

Notarized sales less units already transferred resulted in an order book of € 94 million on 30 June 2014 (31 December 2013: € 113 million). This order book secures future revenues. With regard to the revenues forecast for 2014 from the sale of property units, more than 80% of these units have already been sold.

I. RESULTS OF OPERATIONS

	01/01/-06/30/ 2014	01/01/-06/30/ 2013	Change
	K€	K€	K€
Revenues	58,008	6,056	51,952
Total output	42,447	14,967	27,480
Cost of materials	-27,534	-8,552	-18,982
Gross profit	14,914	6,415	8,499
Personnel expenses	-2,605	-1,238	-1,367
Other operating income	1,266	1,551	-285
Other operating expenses	-6,384	-3,818	-2,566
EBIT	6,465	2,677	3,788
Financial result	-5,891	-4,572	-1,319
Income tax gains	352	26	326
COMPREHENSIVE INCOME	926	-1,870	2,796

ISARIA Wohnbau's earnings in the first six months of 2014 improved substantially compared to the same period of the previous year, and on 30 June 2014 revenues and EBIT were already higher than for the whole of 2013. In the first six months of 2014, One Group's earnings were included in consolidated earnings for the first time. At k€ 926 consolidated earnings after taxes were positive (H1 2013 without One Group: negative at k€ -1,870). One Group is included in this figure at k€ -46, excluding the pro rata depreciation of the assets from the purchase

price allocation. ISARIA Wohnbau Group as a stand-alone (without One Group) closed the first six months of 2014 with earnings after taxes of k€ 1,655. That earnings were not even higher, given the high revenues, is due to the fact that an amount of k€ 3,438 was no longer recognised in income according to IFRS, as this amount had already been taken directly to equity as part of the first-time consolidation of the respective special purpose entity in the 2013 consolidated financial statements (so-called step-up). From an economic perspective, however, this con-

tribution to earnings should be considered, leading to a (pro forma) pre-tax rate of return of 7.8%. This means that ISARIA Wohnbau's current construction projects are profitable.

The revenue volume (proceeds from the sale of residential units, from leasing as well as from other deliveries and services) amounts to k€ 58,008 in the first six months of 2014 (corresponding period last year: k€ 6,056) and is particularly attributed to the proceeds from the dwelling units handed over during the respective period. In the first six months of 2014, this mostly related to the hand-overs of residential units in the "APP.ARTMENTS" revitalisation project (Living Bogenhausen GmbH) which had been postponed in the last quarter of 2013, and also handovers from the construction stage WA 9 in the "Nido" construction project (ISARIA Wohnbau Objekt Karlsfeld 2 GmbH), completed in the second quarter of 2014.

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

Costs of materials increased by € 18,982 thousand in the first six months of 2014 to k€ 27,534 compared to k€ 8,552 in the first six months of 2013. This increase reflects the increased volume of construction compared to the same period of the previous year, and also the higher number of units in construction.

Personnel expenses increased in the reporting period to k€ 2,605 compared to k€ 1,238 in the same period of the previous year. Of this increase, k€ 764 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 30 June 2014, 51 employees were employed at the ISARIA Wohnbau Group (30 June 2013: 30 employees). Of this total, 15 employees are from One Group.

Other operating expenses increased by k€ 2,566 in the first six months of 2014 to k€ 6,384 compared to k€ 3,818 in the first quarter of 2013. Of this increase, k€ 661 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€ 966. This includes an increase in the provision for guarantees for the units handed over in the period under review, and also higher follow-up costs for projects already handed over before 2010. In addition, sales commission was k€ 210 higher than in the same period of the previous year. Legal and consulting costs were k€ 250 higher than in the same period of the previous year, mostly due to the consulting costs incurred as part of the issue of the corporate bond and the integration of One Group.

EBIT more than doubled to k€ 6,465 compared to the first six months of the previous year (k€ 2,677). Based on revenues (EBIT margin), this only results in a figure of a good 11% (H1 2013: good 44%). However, the lower figure year-on-year is due to the fact that parts of the economic margin from the units from the revitalisation project handed over in the period under review were already taken to equity in 2013, as described above.

The negative financial result increased during the first six months of 2014 by k€ 1,319 to k€ -5,891 compared to k€ -4,572 in the same period of the previous year. Financial income was lower in the first six months of 2014 at k€ 241 compared to the same period of the previous year (k€ 756). Financial expenses increased in the first six months of 2014 by 7% to k€ 6,814 compared to the same period of the previous year (k€ 6,362). This increase is directly related to the interest bearing liabilities which increased by a good 47% 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€ 682 in the period under review (Q2 2013: k€ 1,034).

Consolidated earnings before taxes in the period under review were also significantly better than in the same period of the previous year despite the increased financial expenses and were positive again at k€ 574 (H1 2013: k€ -1,896). A positive effect from income taxes as a result of a partial reversal of deferred tax liabilities led to earnings after taxes of k€ 926 (H1 2013: k€ -1,870).

Business activities for the One Group segment, which was included for the first time in the period under review, are mostly included in the financial result. During the period under review, One Group contributed a positive financial result of k€ 1,374. However, this positive financial result was not yet sufficient to totally cover One Group's overheads in the period under review. Segment results before taxes totalled k€ 102 in the period under review. Income taxes were depressed, mostly due to the reversal of deferred taxes, and led to negative segment earnings after taxes of k€ -46.

Business for the group as a whole in the first half of 2014 was satisfactory and mostly in line with expectations, with revenues higher than in the whole of the previous year, a return on sales before taxes of 7.8% from an economic perspective, and a substantially improved financing struc-

ture. ISARIA Wohnbau's economic position has continued to improve perceptibly.

Net-Asset-Value (NAV)

Net asset value, the international indicator used to assess real estate companies, and which is calculated according to EPRA standards, was calculated for ISARIA Wohnbau for the first time as of 31 December 2013. The calculation of EPRA NAV for ISARIA Wohnbau includes equity before non-controlling interests according to the balance sheet, adjusted for deferred taxes and divided by the number of shares. In the case of a project developer such as ISARIA Wohnbau, the central assets, the inventories under construction held for sale are, however, carried at cost. As a result, in order to ensure comparability with property holders, the company thus identified the fair value of these inventories itself using standard market residual value calculations, and this was confirmed by an external expert.

As of 30 June 2014, the company updated these calculations. At the same time, as part of the further increase in transparency and the alignment with international reporting standards, the previous NAV calculations were modified. Now, only deferred taxes are considered that

	06/30/ 2014	12/31/ 2013	12/31/ 2013
	K€ ADJUSTED	K€ ADJUSTED	K€ REPORTED
EPRA NAV – ISARIA WOHNBAU GROUP			
Equity before non-controlling interests	14,532	13,606	13,606
Hidden reserves of inventories *	87,486	77,425	77,425
Correction for deferred taxes			
Deferred tax assets	-75	-91	-14,112
Deferred tax liabilities	911	1,667	-1,684
EPRA NAV	102,854	92,608	75,236
Number of shares (after execution of share capital increase)	23,764	23,764	23,764
NAV PER SHARE	4.33	3.90	3.17

* Of these hidden reserves k€ 27,945 (31 December 2013: k€ 28,072) is due to companies in which ISARIA Wohnbau has already secured a majority interest by way of a notarised agreement, however for which execution is still subject to conditions precedent, however ISARIA Wohnbau believes that these conditions will be fulfilled during the course of 2014.

relate to the properties and other inventories held for sale. Based on the adjusted method, as of 31 December 2013 the EPRA NAV for the ISARIA Wohnbau Group would have been k€ 17,372 higher at k€ 92,608. On 30 June 2014,

the EPRA NAV increased further to k€ 102,854. This is due to the further increases in market prices which caused further increases in hidden reserves for the properties in the accounts.

II. NET ASSETS

	06/30/ 2014	12/31/ 2013	Change
	K€	K€	K€
Non-current assets	39,701	41,817	-2,116
Current assets	177,802	185,123	-7,321
<i>of which: Properties held for sale and other inventories</i>	110,747	126,334	-15,586
Equity	14,532	13,606	926
Non-current liabilities	84,607	66,697	17,910
Current liabilities	118,364	146,636	-28,272
BALANCE SHEET TOTAL	217,503	226,939	-9,436

Total assets fell by around 4% to € 217,503 on 30 June 2014 compared to € 226,939 on 31 December 2013.

Non-current assets fell by k€ 2,116. This downturn is mostly due to a reduction of k€ 1,839 in the carrying amounts of the interests in companies carried at equity due to a disbursement included in the period under review. Current assets fell by € 7,321 to € 177,802 on 30 June 2014 compared to 31 December 2013 (€ 185,123 thousand). Within current assets, the properties held for sale and other inventories fell by k€ 15,586 as a result of the handovers in the quarter under review. In contrast, cash increased by k€ 4,992 from k€ 32,303 on 31 December 2013 to k€ 37,139 on the reporting date. This increase is mostly due to the advance payments from customers in line with construction progress. In addition, receivables from the sale of properties and other receivables and financial assets increased by k€ 2,610 in total.

III. FINANCIAL POSITION

Equity increased to k€ 14,532 on 30 June 2014 compared to 31 December 2013 (€ 13,606 thousand) in line with the positive consolidated earnings after taxes. The equity ratio thus increased from 6.0% to 6.7%.

Non-current liabilities increased by k€ 17,910 from k€ 84,607 on 31 December 2013 to k€ 78,849 on the reporting date. This increase is mostly due to the funds acquired during the first six 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€ 28,272 from k€ 146,636 to k€ 118,364 on the reporting date. This downturn was mostly due to a decrease in liabilities from advance payments of k€ 19,298. This is connected with the hand-overs of residential units in the period under re-

view. In addition, the liabilities to investors in JK Fonds I carried under current compensation liabilities to shareholders in general partnership fell by k€ 7,473 as a result of the full repayment of deposits. This was offset by the reclassification of terms for liabilities to investors in ProReal Deutschland Fonds GmbH & Co. KG from non-current to current liabilities in the amount of k€ 6,799. In addition, trade payables also fell, mostly due to correspondingly lower liabilities or provisions for construction costs not yet invoiced of k€ 6,763. Deferred interest liabilities included in other liabilities fell by k€ 5,029 as a result of payments. These downturns are mostly offset by an increase in current financial debt to non-banks

by k€ 3,990. 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€ 6,010.

The Group's cash increased compared to 31 December 2013 (€ 32,303 thousand) in particular as a result of the increased advance payments from customers in line with construction progress, and totalled k€ 37,139 on the balance sheet date. The group can freely dispose of these funds in the amount of k€ 14,243 on 30 June 2014 (31 December 2013: k€ 12,393). The change in freely disposable cash is as follows:

	06/30/ 2014	12/31/ 2013	Change
	K€	K€	K€
Cash	14,243	12,393	1,850

	01/01 - 06/30/2014	01/01 - 06/30/2013	Change
	K€	K€	K€
Cash flow from operating activities	-13,625	902	-14,527
investing activities	62	1,178	-1,116
financing activities	15,413	-10,995	26,408

The cash flow from operating activities totalled k€ -13,625 in the year under review after k€ 902 in the previous year and is mostly due to the consolidated earnings before income taxes in the amount of k€ 574 plus the financial result (k€ 5,891), the reduction in properties held for sale by k€ 15,478, the increase in receivables from the sale of properties and other receivables and financial assets of k€ 3,012, as well as a downturn in non-interest bearing liabilities and provisions of k€ 32,948.

The cash flow from investing activities in the first six months of 2014 amounted to k€ 62 (Q2 2013: k€ 1,178).

In Q2 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 six months of 2014 amounted to k€ 15,413 (Q2 2013: k€ -10,995). The inflow from drawing down financial liabilities for the ongoing construction activities in the amount of k€ 39,873 (Q2 2013: k€ 9,106) exceeded the repayment of financial liabilities in the amount of k€ 14,824 (Q2 2013: k€ 16,003) and interest payments in the amount of k€ 9,637 (Q2 2013: k€ 4,098).

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 2013. From 1 January 2014 no risks have been entered into or have become perceptible which would lead to a different assessment.

The plans presented at a federal level to introduce a so-called rental price block have been discussed in depth and controversially. The most recent proposal by the Federal Minister for Justice is to exclude new properties from the rental price block, even if these are relet. This would spare residential real estate investors from this regulation. However, a conclusive assessment is not yet possible at this juncture.

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. The accounting for One Group companies, with the exception of the ProReal Deutschland Fonds for which accounting is outsourced to an external service provider, has already been fully integrated into ISARIA Wohn-

bau's consolidated accounting. Also One Group has been included in ISARIA Wohnbau's risk management system as an independent organisational unit, and it has already been fully integrated.

4. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

At the start of August we were able to conclude a further bank loan to finance the construction of single-family homes in the Nido project in Karlsfeld (volume approx. € 5 million) with an initial interest rate of 2.83%. The predecessor loan for the construction of terraced houses has been repaid.

Apart from this, 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 half of the year 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, 8 August 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

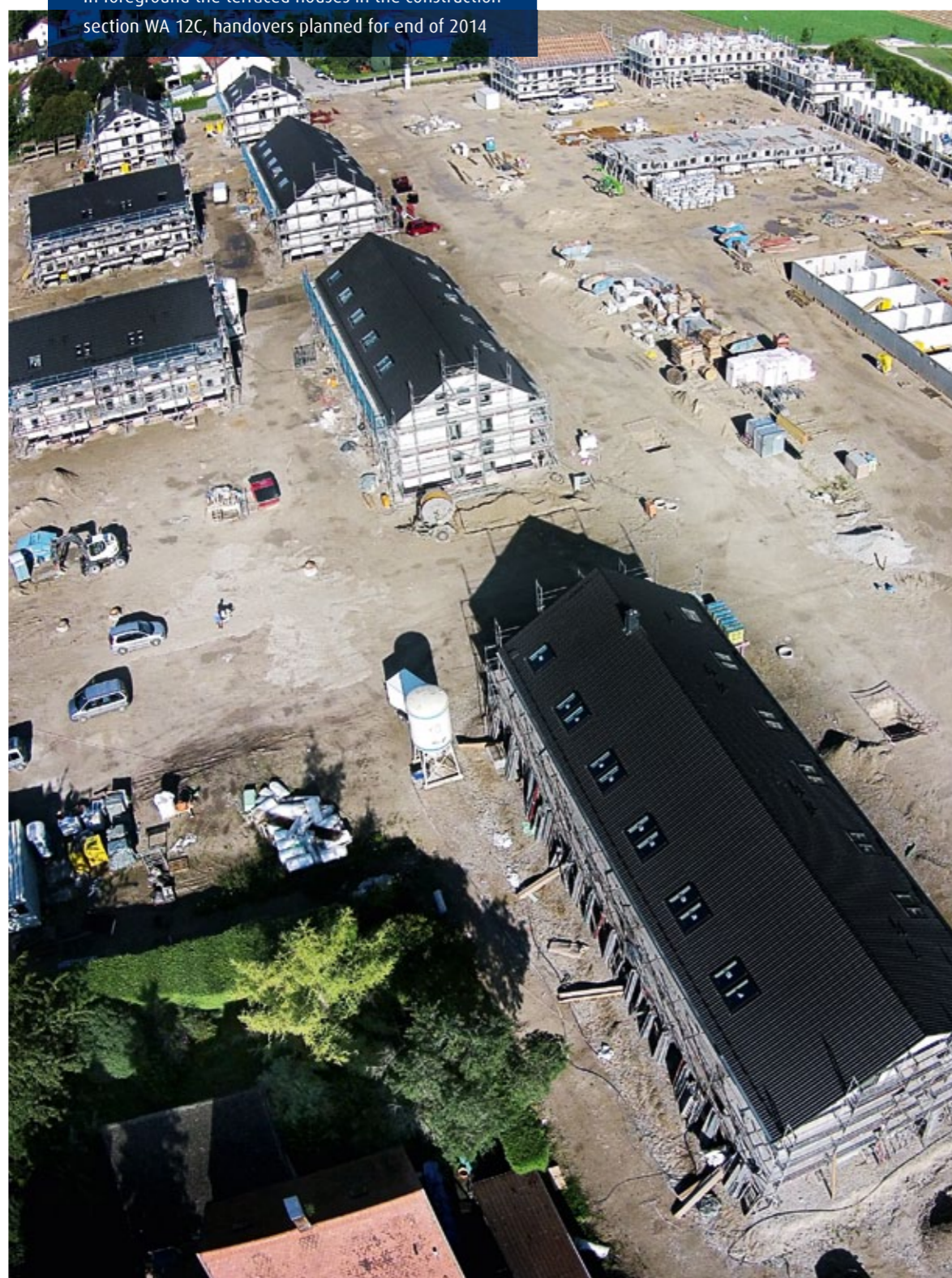


**GROWTH
NEEDS VISIONS**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of 30 June 2014

In foreground the terraced houses in the construction section WA 12C, handovers planned for end of 2014



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM 1 JANUARY TO 30 JUNE 2014

	01/01/ - 06/30/ 2014	01/01/ - 06/30/ 2013	Q2 2014	Q2 2013
	K€	K€	K€	K€
SALES REVENUE				
a) from the sale of property units	56,229	4,510	28,691	385
b) from the lease of property units	1,672	1,546	905	784
c) from other deliveries and services	107	0	75	0
Change in inventories of properties held for sale with finished or unfinished buildings	-15,561	8,911	-6,394	6,793
TOTAL OUTPUT	42,447	14,967	23,276	7,962
Cost of materials				
a) Expenses for the sale of property units	-26,183	-7,178	-14,551	-4,572
b) Expenses for the lease of property units	-1,350	-1,374	-738	-693
GROSS PROFIT	14,914	6,415	7,988	2,698
Personnel expenses	-2,605	-1,238	-1,363	-634
Depreciations / amortisation / impairment charges	-726	-233	-389	-114
Other operating income	1,266	1,551	1,004	739
Other operating expenses	-6,384	-3,818	-3,685	-2,062
EBIT	6,465	2,677	3,555	627
Financial income	241	756	124	277
Financial expenses	-6,814	-6,362	-2,971	-3,238
Result of associates accounted for using the equity method	682	1,034	595	765
FINANCIAL RESULT	-5,891	-4,572	-2,252	-2,196
CONSOLIDATED RESULT BEFORE INCOME TAXES	574	-1,896	1,303	-1,569
Income tax expenses (-)/ gains (+)	352	26	65	-39
CONSOLIDATED RESULT AFTER TAXES ON INCOME	926	-1,870	1,368	-1,608
of which attributable to the shareholders of ISARIA	939	-1,839	1,373	-1,584
of which attributable to non controlling interests	-13	-31	-5	-24
Other Comprehensive income	0	0	0	0
COMPREHENSIVE INCOME	926	-1,870	1,368	-1,608
of which attributable to the shareholders of ISARIA	939	-1,839	1,373	-1,584
of which attributable to non controlling interests	-13	-31	-5	-24
EARNINGS PER SHARE IN €				
Basic	0.04	-0.09	0.06	-0.08
Diluted	0.04	-0.09	0.06	-0.08

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2014

Assets	06/30/ 2014	12/31/ 2013	Equity and liabilities	06/30/ 2014	12/31/ 2013
	K€	K€		K€	K€
I. Non-current assets	39.701	41.817	I. Equity	14,532	13,606
1. Intangible assets	9,205	9,704	1. Subscribed capital	23,764	20,764
2. Investment properties	14,554	14,699	2. Equity and Reserves	137,120	131,472
3. Property, plant and equipment	330	393	3. Balance sheet loss	-146,331	-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	1,029	2,868	Consolidated equity of the majority shareholders	14,553	13,665
b) Other investments	37	37	5. Non controlling interests	-20	-59
5. Deferred tax assets	14,531	14,112			
6. Other accounts receivable	14	5	II. Non-current liabilities	84,607	66,697
			1. Compensation liabilities to shareholders in general partnership	66,564	47,712
II. Current assets	177,802	185,123	2. Financial liabilities to banks capital provision	14,118	15,355
1. Properties held for sales and other inventories			3. Deferred tax liabilities	1,270	1,453
a) Properties and equivalent rights with unfinished buildings	110,107	125,694	4. Other provisions	2,656	2,177
b) Properties and equivalent rights with finished buildings	640	640			
2. Accounts receivable from the sale of property	5,919	4,316	III. Current liabilities	118,364	146,636
3. Income tax receivables	898	77	1. Compensation liabilities to shareholders in general partnership	10,310	10,983
4. Other accounts receivable and financial assets	23,099	22,093	2. Financial liabilities from silent participations, shareholder loans and other forms of capital provision	51,436	47,447
5. Cash and cash equivalents	37,139	32,303	3. Financial liabilities to banks	13,883	12,282
			4. Trade accounts payable	8,364	15,127
			5. Liabilities from payments made on account	27,690	46,988
			6. Income tax liabilities	1,776	1,748
			7. Other provisions	2,243	2,143
			8. Other liabilities	2,663	9,919
Total assets	217,503	226,939	Total equity and liabilities	217,503	226,939

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FROM 1 JANUARY TO 30 JUNE 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	-1,839	-1,839	-31	-1,870
Contribution from shareholders	0	0	3,301	0	3,301	0	3,301
Financial guarantees by Josef L. Kastenberger / JK Holding GmbH	0	0	61	0	61	0	61
As of 30th June 2013	20,764	0	133,880	-150,155	4,489	14	4,502
As of 1st January 2014	20,764	8,700	131,472	-147,270	13,665	-59	13,606
Comprehensive Income	0	0	0	939	939	-13	926
Capital increase by way of contribution in kind	3,000	-8,700	5,700	0	0	0	0
Business combination without change of status	0	0	-52	0	-52	52	0
As of 30th June 2014	23,764	0	137,120	-146,331	14,552	-20	14,532

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY TO 30 JUNE 2014

	01/01/ - 06/30/ 2014	01/01/ - 06/30/ 2013*
	K€	K€
CONSOLIDATED RESULT BEFORE INCOME TAXES	574	-1,896
Adjustments for the reconciliation from Consolidated result before income taxes to Cash flows from operating activities		
Depreciations / amortisation / impairment charges	726	233
Valuation allowances (+) / write-ups (-)	131	-117
Financial results	5,891	4,572
Decrease (+) and increase (-) in properties held for sale and other inventories	15,478	-8,822
Decrease (+) and increase (-) in accounts receivable from the sale of property and of other accounts receivable and financial assets	-3,012	3,443
Increase (+) and decrease (-) in trade accounts payable and other current liabilities	-32,948	5,381
Increase (+) and decrease (-) in other provisions	580	-682
Income taxes paid / refunded	-1,044	-561
CASH FLOWS FROM OPERATING ACTIVITIES	-13,625	902
Acquisition of intangible assets	-9	0
Acquisition of property, plant and equipment	-11	-6
Payments from the sale of investment properties	0	1,155
Interest received	82	29
CASH FLOWS FROM INVESTING ACTIVITIES	62	1,178
Payments from taking out of financial liabilities	39,873	9,106
Repayments of financial liabilities	-14,824	-16,003
Interest paid	-9,637	-4,098
CASH FLOWS FROM FINANCING ACTIVITIES	15,413	-10,995
CHANGE IN CASH	1,850	-8,915
CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD	12,393	11,762
CASH AT THE END OF THE ACCOUNTING PERIOD	14,243	2,847

* adjusted, see chapter 5

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 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.

The consolidated interim financial statements and the consolidated interim group management report have neither been audited nor subjected to a review by an auditor.

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 in-

dependent 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 Residential 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 30 June 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 30 June 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 30 June 2014, the consolidated interim financial statements comprise, in addition to ISARIA Wohnbau AG, 36 subsidiaries (31 December 2013: 33) and three joint ventures carried at equity.

During the period under review, a general partnership and two shelf companies to prepare for further future projects were newly formed and/or purchased. Two of these companies were fully consolidated for the first time on 31 March 2014, the third on 30 June 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 AUTHORISED CAPITAL

ISARIA Wohnbau AG’s 2014 ordinary general meeting on 23 May 2013 resolved to cancel existing 2012 Authorised Capital, and to authorise the Managing Board to increase the company’s share capital, with the approval of the Su-

pervisory Board, by up to € 11,882,000.00 by issuing up to 11,882,000.00 new no-par value bearer shares against cash or non-cash contributions on one or several occasions (2014 Authorised Capital).

As a rule, shareholders have subscription rights. However, the Managing Board is authorised to exclude shareholders’ subscription rights, with the approval of the Supervisory Board, in line with the proposal announced in the invitation to the company’s General Meeting on 15 April 2014 under agenda item 6, as published in the Federal Gazette.

The corresponding change to the Articles of Association was entered in the commercial register of Munich Local Court (HRB 187909) on 13 June 2014.

REPAYMENT OF JK FONDS I IN LINE WITH PROSPECTUS

The last deposits were repaid to investors of JK Fonds I (JK Wohnbau Fonds I Beteiligungs GmbH & Co. KG) on 30 June 2014. As a result, JK Fonds I has been fully repaid in line with the prospectus with a total amount of € 38 million over the last two years.

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. Since 21 May 2014 it has also been included in OTC trading (Quotation Board) on the Frankfurt Stock Exchange for corporate bonds with ISIN DE000A1YCPQ6.

ACQUISITION OF PROPERTY

The company has now created more than 350 apartments in former office properties under the APP.ARTMENTS brand. As there was no successor project in the project pipeline, systematic acquisitions were made in the Revitalisation segment.

During the first half of the year, corresponding office properties were acquired in Hamburg (majority acquisition via

One Group) and also in Munich. The projects will generate future revenues of around € 80 million.

EXIT OF A FORMER SHAREHOLDER

The former Executive Board member and company founder Mr. Josef Kastenberger parted company with his entire share package in June 2014. As a result of his exit as a shareholder, the company's receivables from him in the amount of € 1.5 million were settled in full. This transaction had a value date of 1 July 2014.

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€ 22,896 (previous year: k€ 12,166), this results in the cash disclosed on the balance sheet. This basis of presentation has been changed compared to the prior year period. 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€ 791.

6. SEGMENT REPORTING

	New Developments K€	Revitalisation K€	One Group K€	Other K€	Consolidation/ Reconciliation K€	Group K€
SALES REVENUE - EXTERNAL						
01/01/-06/30/2014	20,459	35,900	102	1,546	0	58,008
01/01/-06/30/2013	4,634	0	0	1,422	0	6,056
SALES REVENUE - INTERNAL						
01/01/-06/30/2014	0	0	0	0	0	0
01/01/-06/30/2013	0	0	0	0	0	0
CHANGE IN INVENTORIES						
01/01/-06/30/2014	2,854	-23,343	4,928	0	0	-15,561
01/01/-06/30/2013	6,527	2,384	0	0	0	8,911
GROSS PROFIT						
01/01/-06/30/2014	23,313	12,557	5,030	1,546	0	42,447
01/01/-06/30/2013	11,161	2,384	0	1,422	0	14,967
DEPRECIATIONS						
01/01/-06/30/2014	-64	0	-88	-148	-425	-726
01/01/-06/30/2013	-82	0	0	-151	0	-233
EBIT						
01/01/-06/30/2014	2,938	5,533	-1,272	86	-819	6,465
01/01/-06/30/2013	1,228	1,008	0	440	0	2,677
FINANCIAL INCOME						
01/01/-06/30/2014	115	2	3,109	0	-2,985	241
01/01/-06/30/2013	709	3	0	44	0	756
FINANCIAL EXPENSES						
01/01/-06/30/2014	-5,831	-1,904	-1,735	-329	2,985	-6,814
01/01/-06/30/2013	-4,848	-1,313	0	-201	0	-6,362
RESULT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD						
01/01/-06/30/2014	682	0	0	0	0	682
01/01/-06/30/2013	1,034	0	0	0	0	1,034
INCOME TAX EXPENSES (-) / INCOME (+)						
01/01/-06/30/2014	-155	519	-147	0	136	352
01/01/-06/30/2013	-7	26	0	7	0	26
RESULT AFTER TAXES ON INCOME						
01/01/-06/30/2014	-2,251	4,149	-46	-243	-683	926
01/01/-06/30/2013	-1,884	-276	0	290	0	-1,870
VALUATION ALLOWANCES (-) / WRITE-UPS (+) ON INVENTORIES AND RECEIVABLES						
01/01/-06/30/2014	-23	-108	0	0	0	-131
01/01/-06/30/2013	-15	132	0	0	0	117

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 30 June 2014. This does not include the financial obligations in connection with acquisitions of property which has not yet been completed, and which totalled k€ 21,000 as of 31 December 2013. These increased as a result of a purchase agreement concluded in May 2014 and totalled k€ 42,000 as of 30 June 2014. The Company believes that k€ 28,000 will become due in 2014, however that the remainder will not become due before the fall of 2015.

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:

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

	Assessment category as per IAS 39	06/30/2014 Carrying amount K€	06/30/2014 Fair Value K€	12/31/2013 Carrying amount K€	12/31/2013 Fair Value K€
Assets					
Financial assets – Other investments	AfS	37	n/a	37	n/a
Accounts receivable from the sale of property	LaR	5,919	5,919	4,316	4,316
Other accounts receivable and financial assets	LaR	8,066	8,066	13,103	13,103
Cash and cash equivalents	LaR	37,139	37,139	32,303	32,303
Liabilities					
Compensation liabilities to shareholders in general partnership	FLAC	76,873	76,873	58,696	58,696
Financial liabilities from silent participations, shareholder loans and other forms of capital provision	FLAC	51,436	51,806	47,447	48,149
Financial liabilities to banks	FLAC	28,001	28,120	27,637	27,797
Trade accounts payable	FLAC	8,364	8,364	15,127	15,127
Other financial liabilities	FLAC	544	544	5,572	5,572

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.

As already set out above under Item 4, the former Executive Board member and company founder Mr. Josef L. Kastenberger parted company with his entire share package in June 2014. As a result of his exit as a shareholder, the company's receivables from him in the amount of approx. € 1.5 million were settled in full. These are set out in the following table. This transaction had a value date of 1 July 2014, and thus after the balance sheet date. As a result, Mr. Kastenberger is no longer a related party for the ISARIA Wohnbau Group.

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

Transactions with related parties	Revenue 01/01/ - 6/30/ 2014 K€	Expenses 01/01/ - 6/30/ 2014 K€	Accounts receivable 6/30/ 2014 K€	Liabilities 6/30/ 2014 K€
JK-COR companies	682	0	0	0
JK Holding companies	0	1	0	0
Executive Board and Supervisory Board	2	675	0	5
Josef L. Kastenberger	51	0	1,502	0
Total	735	677	1,502	5

Transactions with related parties	Revenue 01/01/ - 6/30/ 2013 K€	Expenses 01/01/ - 6/30/ 2013 K€	Accounts receivable 12/31/ 2013 K€	Liabilities 12/31/ 2013 K€
JK-COR companies	1,034	0	0	0
JK Holding companies	0	0	0	0
Executive Board and Supervisory Board	8	344	0	85
Josef L. Kastenberger	432	400	1,502	0
Total	1,474	744	1,502	85

10. EMPLOYEES

On average there were 51 employees in the first six months of fiscal year 2014.

	06/30/2014	12/31/2013
NUMBER OF EMPLOYEES	51	50

11. EVENTS AFTER THE BALANCE SHEET DATE

At the start of August we were able to conclude a further bank loan to finance the construction of single-family homes in the Nido project in Karlsfeld (volume approx. € 5 million) with an initial interest rate of 2.83%. The predecessor loan for the construction of terraced houses has been repaid.

Apart from this, 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, 8 August 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

Responsibility Statement of the Legal Representatives

We assure to the best of our knowledge and in accordance with the applicable reporting principles for financial reporting, that the consolidated interim financial statements give a true and fair view of the net assets, financial positions and results of operations of ISARIA Wohnbau Group and that the Group interim management report includes a true and fair view of the development and performance of the business and the Group's situation, as well as a description of the principal opportunities and risks associated with the expected development of the Group.

Munich, 8 August 2014



Michael Haupt
Spokesman of the
Executive Board / CEO



Christian Dunkelberg
Member of the
Executive Board / CIO



Jan von Lewinski
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Financial Calendar

Nov 14, 2014: Publication of Q3 Report
Nov 26, 2014: German Equity Forum, Frankfurt / Main

Disclaimer

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.

