



Wohnbau AG

Interim Report Q2 2015



Key Parameters

Operating performance indicators in € million	01/01/ - 06/30/2015	01/01/ - 06/30/2014	Q2 2015	Q2 2014
Sales revenue	37.3	58.0	22.8	29.7
Total output	81.7	42.4	66.5	23.3
Gross profit	13.2	14.9	7.2	8.0
EBITDA	8.8	7.2	4.3	3.9
EBIT	8.0	6.3	3.8	3.5
Financial result	-7.8	-5.9	-3.7	-2.3
Consolidated result after taxes	0.1	0.8	-0.1	1.3
Gross profit margin	36%	26%	31%	27%
EBIT margin	21%	11%	17%	12%
Profit-turnover-ratio	0%	1%	0%	4%

Balance sheet ratios in € million	06/30/2015	12/31/2014
Current assets	239.1	262.3
of which: Properties held for sale and other inventories	170.8	136.4
Equity	23.0	22.9
Equity ratio	8.0%	7.6%
Financial liabilities & compensation liabilities	201.2	189.6
of which: non-current	151.1	111.4
Balance sheet total	287.2	300.4

Key sales figures in € million	01/01/ - 06/30/2015	01/01/ - 06/30/2014
Notarized sales of the period	16	38
	06/30/2015	12/31/2014
Orders on hand*	65	84

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

Employees	06/30/2015	12/31/2014
Number of employees	57	60

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01 | TO OUR SHAREHOLDERS

Dear shareholders,
dear friends and business partners of
ISARIA Wohnbau AG,

in the first half year of 2015, with revenues in the amount of € 37.3 million, we have achieved a good third of the total planned revenues for the entire year 2015. These revenues are mainly attributed to the completion of further construction stages in connection with the large-scale project in Munich-Karlsfeld. During the same period last year revenues amounted to € 58.0 million. However, we have managed to increase earnings before interest and tax (EBIT) by 26% for a total of € 8.0 million in the first half of 2015 compared to the same period last year. This shows that profitability of the current construction stages being completed is significantly higher. The price increases on Munich's real estate market in recent years are now finally translating into our consolidated result.

As of 30 June 2015, the company is currently developing a project volume that is approximately 50% larger compared to the first half of 2014. During the last 18 months, we have again acquired new projects. At the same time, we also made substantial investments in our existing development properties, which have made considerable progress during this period. As a result, the respective resolutions of the city council or preliminary building permits for residential use for all Munich projects currently being developed are now in place following the so-called key data resolution and decision for the development planning process ("Eckdaten- und Aufstellungsbeschluss") of the city council of Munich for the property of the former Diamalt plants in Munich-Allach.

This represents the actual value-creating activities for the 1st half of 2015 and further increases the hidden reserves of our properties held on the balance sheet.

These investments were made possible in particular by the successful project development funds of the One Group, our Group's internal financing platform. As a result, interest-bearing liabilities increased by approximately 29% to a current total of approximately € 200 million. Despite substantial savings on interest, the financial expenses in the first half of 2015 are thus approximately 19% greater (€ 8.1 million) than the corresponding expenses in the same period last year (€ 6.8 million).

Without these investments, we would likely save approximately € 6 million with respect to the financial expenses in 2015. However, we are confident that these investments have created an ideal foundation for the future of the company. The gross profit margins, which are currently at a high level, nonetheless made it possible for us to achieve an excellent result in 2014 and we will also continue to benefit from those price increases of recent years in connection with handovers in 2015. In expanding our projects, we have at the same time been able to secure future business for the next five to seven years.

Outlook for 2015

The company is entering the second half of 2015 with a still high order book of notarised sales amounting to € 65 million. With respect to the large-scale *nido* project in Munich-Karlsfeld, a current total of 138 residential units are under construction, more than 90% of which have already been sold. Approximately 100 of these units will be handed over to their owners in the third and fourth quarter of this year. The resulting revenues account for more than half of the revenues for the entire year. With a corresponding high gross profit margin as in the 1st half of the year (36%), these revenues will make a substantial contribution to the forecast consolidated result after taxes in the high single-digit million euro range for the entire 2015 fiscal year.

Munich, 4 August 2015



Michael Haupt
Spokesman of the
Executive Board | CEO



Christian Dunkelberg
Member of the
Executive Board | CIO

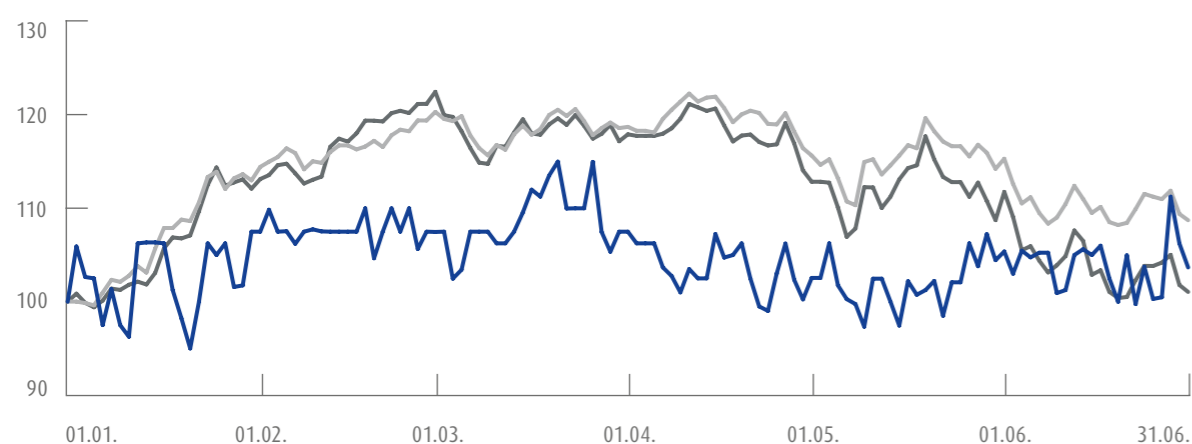


Jan von Lewinski
Member of the
Executive Board | COO

ISARIA Wohnbau AG's share

At +3.7% in the first half of 2015, the ISARIA share has performed within the corridor of the industry indexes EPRA Germany (+1.0%) and EPRA Europe (+8.7%).

Share price performance in the first half of 2015 (indexed)



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

Notifications of voting rights published

In the first six months of fiscal year 2015 ISARIA Wohnbau AG published three notifications of voting rights in accordance with Section 21 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz/WpHG).

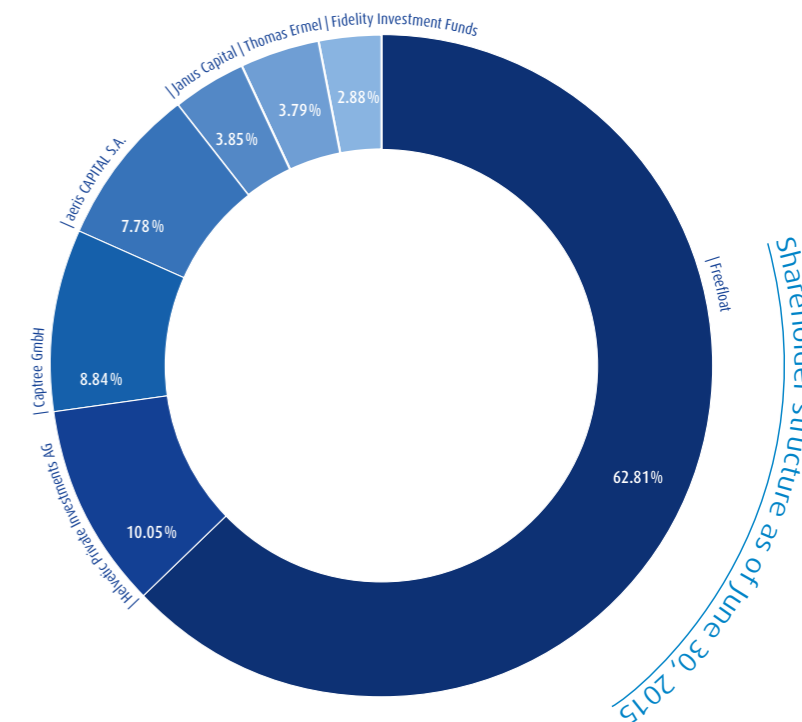
All notifications of voting rights received by the company can be found on the company's website in the section Investor Relations / financial news / notifications of voting rights.

Key data for ISARIA Wohnbau AG's share

Stock market ticker	IWB	IPO	10 November 2010
Type of stock	No-par value transferable shares	Highest price 3 months (Xetra)	€ 4.60
ISIN	DE000A1E8H38	Lowest price 3 months (Xetra)	€ 3.80
WKN	A1E8H3	Closing price on 06/30/2015 (Xetra)	€ 4.15
Market segment	Regulated market, Prime Standard	Market capitalisation in million Euro	98.6
Designated Sponsor	M.M. Warburg & Co., Hamburg		
Stock exchange	All German stock exchanges including Xetra		

Shareholder structure

Since the end of March 2015 we have a further major international institutional investor as a shareholder in the form of Janus Capital Management LLC, Denver, USA. Furthermore, the shareholder structure continues to be characterised by institutional and private investors pursuing a predominantly long-term investment strategy.



Analysts estimates show substantial upside potential

Analysts evaluated the ISARIA Wohnbau Group and the share of ISARIA Wohnbau AG in 2015. 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 € 5.80 (Warburg Research) and/or € 6.00 (FIRST Berlin).

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.

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.

In the second quarter of 2015, we first attended a one-day road show in London. We also presented at an event for "small caps to watch", a format especially for small caps that was organised by M.M.Warburg and took place in Frankfurt.

We also provide detailed information on the topic of investor relationships, our company and our share at www.isaria.ag, key word 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.

We also maintained close contact with our analysts as well as existing and potential investors through a wide

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. As of this year, however, it is being continually evaluated as to whether certain properties can also be held as investment properties in our portfolio, such as subsidised residential buildings or commercial properties as part of our residential construction projects whose construction is obligatory with respect to planning law. The same applies for residential properties on offer that have already been built by third parties. The prerequisite for recognition as an investment property is that the presently favourable first-rate interest situation allows for sufficient surpluses from the management of the property to provide a proper return on equity and that

this equity is not needed for project developments. This can be ensured e.g. with new financial products from the Group's own financing platform. Overall, investment properties serve to generate rental income to offset the comparatively volatile project development business.

So far, 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, in 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. The company acquired two projects in Hamburg in 2014 and opened up an office. 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 also referred to as "One Group"). The business activities of One Group mostly comprise the development, structuring and issuing of project development funds for residential construction projects in Germany. In ISARIA Wohnbau's locations 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. This segment will map this sub-group's results.

ISARIA WOHNBAU'S PROJECTS

Project	Special purpose entity	Location	Total number of housing units	Intended completion	Status
SEGMENT NEW DEVELOPMENTS					
nido	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 8a	Karlsfeld am Prinzenpark	37	03/2015	completed
	ISARIA Wohnbau Objekt Karlsfeld 3 GmbH; Section 11a1		26	06/2015	completed
	JK Wohnbau Objekt Karlsfeld 1 GmbH; Section 1c		31	12/2015	construction started
	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 10a		24	09/2015	construction started
	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 10b		24	06/2016	construction started
	ISARIA Wohnbau Objekt Karlsfeld 2 GmbH; Section 10c		25	03/2017	preparation for start of construction
	ISARIA Wohnbau Objekt Karlsfeld 3 GmbH; Section 11b1, 11c1 (RH)		48	12/2015	construction started
	ISARIA Wohnbau Objekt Karlsfeld 3 GmbH; Section 12b		11	09/2016	construction started
	ISARIA Wohnbau Objekt Karlsfeld 3 GmbH; Sections 11c1 (ETW), 11a2-c2 and 12a		36	12/2016	preparation for start of construction
Tübinger Straße	Wohnbau Objekt Tübinger Straße GmbH/Wohnbau Objekt Hansastrasse GmbH	Munich-Sendling/Westpark	323	2017 - 2018	plan B developed
Diamalt-Quartier	ISARIA Wohnbau Objekt Am Münchfeld GmbH	Munich-Allach	593	2018 - 2020	plan B development
Wohnpark Nord	ISARIA Holding GmbH & Co. Objekt Hörgensweg KG	Hamburg-Eidelstedt	500+	after 2019	plan B development
SEGMENT REVITALISATION					
APP.ARTMENTS	Living Bogenhausen GmbH	Munich-Bogenhausen	167	03/2014	completed
St. Bonifatius	gindiwo Gesellschaft für individuelle Wohnungsprivatisierung Objekt St. Bonifatius Straße mbH - front building	Munich-Giesing	22	04/2015	completed
Elsenheimer Straße	ISARIA GmbH & Co. Objekt Metropolis KG	Munich-Westend	350	12/2017	plan B developed
Kapstadtring	Objekt Kapstadtring 1 GmbH	Hamburg-Winterhude	155	12/2017	plan B development
Tower	ISARIA Tower GmbH	Munich-Obersendling	305	12/2018	plan B development

The projects listed in the table will allow ISARIA Wohnbau to generate its future revenue volume.

Key events in the period under review

On-schedule repayment of corporate bond

On 16 February 2015 the corporate bond 2014/2015 was repaid on schedule in the amount of € 10.0 million.

Start of sales activities of ProReal Deutschland Fonds 4

On 23 April 2015 One Group received its approval and license to start sales of ProReal Deutschland Fond 4, its first regulated investment fund according to the Kapitalanlagegesetzbuch (KAGB - German Capital Investment Code). The planned issuing volume totals € 75 million. By 30 June 2015 over € 5 million were already raised.

Developments of projects

Construction work for the *nido* project in Dr. Johann-Heitzer-Straße in Karlsfeld West benefited from the mild weather in the first six months of 2015. In March 2015, a total of 37 apartments in the next stage were completed and handed over for individual ownership, with 31 of these apartments handed over before 31 March 2015. The remaining units from this stage were handed over in the second quarter of 2015 as well as another construction stage comprising 26 terrace houses. ISARIA Wohnbau is constructing a total of 553 residential units in 12 construction stages on the 115,000 sqm plot. Of these units, 354 had been handed over by 30 June 2015. As of 1 July 2015 a total of 138 residential units were being built, all of which were already sold - with the exception of 11 units first offered for sale at the end of July 2015. Sales for additional construction zones currently depend on corresponding planning permission being issued.

In the *St. Bonifatius* renovation project, another six apartments in the now complete front building were handed over. The remaining apartments are being handed over continually. Construction work in the rear building was completed in fiscal year 2014 and the apartments were handed over.

In the *APP.ARTMENTS* revitalisation project in Vogelweidestraße 5 in Munich-Bogenhausen with a total of 167 apartments, 149 units had already been handed over at the end of 2014. In 2015 the remaining apartments are being sold and handed over on an ongoing basis. During the first half year of 2015, a further 12 apartments were handed over with a sales volume (revenues) of € 4.6 million. All but three of the apartments had been sold or reserved by the reporting date.

In the two developments *Diamalt-Quartier* 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.

For the *Tower* project in Munich-Obersendling, the so-called key data resolution ("Eckdatenbeschluss") passed by the city council on 22 October 2014 has been implemented in the form of an urban and landscape planning competition that has been carried out since December 2014. The decision of the jury, that is the advisory committee, with the presentation of the results was made on 8 May 2015. For the *Tower*, the advisory committee recommended using the design by Munich's Meili Peter Architekten as a basis for urban land-use planning with respect to conversion for use of the high rise as a residential building. Following the conclusion of the competition and the planning process, the proposal "Competition and Procedure" for the city council meeting will be drawn up in the third quarter of 2015. Project development is therefore already at an advanced stage.

In the *Diamalt-Quartier* project in Munich-Allach, shortly after the reporting date at the end of July 2015 the city council of Munich passed the so-called key data resolu-

tion and decision for the development planning process ("Eckdaten- und Aufstellungsbeschluss") for converting the land for residential use. This marked yet another milestone for the construction of a further large residential district. The urban and landscape planning competition is scheduled to take place from September to December 2015 and is currently being prepared and coordinated with the federal state capital of Munich. The development planning process will therefore begin in the first quarter of 2016, according to plan.

For the building in *Elsenheimer Straße* 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 15 June 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.

Three different potential utilisation concepts (hotel, boarding house, living) have been worked out for the former office building on Hamburg's *Kapstadttring* street during the fiscal year past. The boarding house concept is being pursued in-depth. The application for a construction permit will be submitted in early August 2015.

At present, work is underway for the property in Hamburg Nord to change the zoning (from commercial to residential).

Acquisition of majority interests in two project developments

Already in December 2013 the company notarised the acquisition of a majority interest in the special purpose entities "Wohnbau Objekt Hansastrasse GmbH" and "Wohnbau Objekt Tübinger Straße GmbH" by way of notarised purchase agreements. Various conditions

precedent had to occur in order to execute these contracts. These conditions were fully met on 21 April 2015. Since this date, ISARIA Wohnbau AG has held an interest of 90% in each case in these companies, and will include these companies in its consolidated financial statements from this date. Jointly, both of the special purpose entities have a planned sales volume of around € 160 million.

Expansion of investment property portfolio

One Group holds interest in a multi-family dwelling in the greater Cologne area whose 78 dwelling units were planned to be sold, for the most part, to investors following renovation. After evaluating alternative strategies, the property is now being kept as an investment property that generates ongoing surpluses from the management of the building within ISARIA Wohnbau group. Instead of selling the individual flats, One Group is planning another fund product that will also provide subordinate capital for the Group's fixed assets in future.

Change to the members of the executive board

In May, Christian Dunkelberg informed the supervisory board that he will not be renewing his contract ending in November 2015. There are no plans for a new appointment of this third position in the executive board. The tasks of Christian Dunkelberg have been distributed among the other two members of the executive board.

Re-election of the supervisory board

At the annual shareholder meeting on 8 May 2015, all three members of the supervisory board were re-elected in their office for an additional three years. In the constitutive meeting directly following the shareholder meeting, Professor Dr. Raimund Baumann was again elected chairman of the supervisory board. Mr Robert Unger was elected deputy chairman of the supervisory board.

II. Overall Economic Developments

According to the summer forecast of the Institute for World Economics (IfW) in Kiel in June 2015, Germany's economic upswing will continue. Private consumer spending will continue to be the principle driver in 2015.

Residential construction will continue to benefit from these underlying conditions, in particular from the continued extremely low financing costs and also from the lack of alternative investments.

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) lifted by 9.5% in the first six months of 2015, thus reaching a new record high. The real estate climate (as an indicator for the further outlook) deteriorated in the three months of the second quarter of 2015 after initially improving substantially by 12.6% in the first quarter. As a result, it is still slightly above its level from the end of 2014 and consequently still at a high level. However, a decline over three consecutive months indicates that the real estate boom of recent months is not without end. In June 2015, the climate for residential construction, though slightly below the level in 2014 at -1.8%, still continues to be the most attractive asset class compared to the other classes, and is thus a "safe harbour". The underlying conditions in the real estate sector can thus continue to be regarded as being excellent. Residential project developers thus continue to enjoy an excellent environment in all of Germany's high-growth regions.

In their plenary meeting on 27 March 2015 the German federal states approved the Act to introduce a rental price

block and to reinforce the principle of the ordering party for agency fees (Mietrechtsnovellierungsgesetz – German Rental Law Amendment Act – MietNovG). According to this act, new properties which are used and rented for the first time after 1 October 2014 are not covered by the rent cap. This could make new residential properties even more attractive for both private and also institutional investors. The law entered into force in Bavaria on 1 August and on 1 July in Hamburg. The Bavarian Council of Ministers has declared that Munich as well as 143 other cities and communities fall under this instrument's domain of validity. In Hamburg the law applies area-wide.

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. For example, Munich was the city with the strongest economy in the 2014 city ranking by *Wirtschaftswoche* and *Immobilien-scout24*. This study examined 69 cities in the categories of real estate market, quality of living, labour market and economic structure, broken down into level and pace. 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 currently published by Jones Lang Lasalle (JLL). 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 resi-

dential real estate market over the past few years, with a substantial increase in prices. As such, the Committee of Experts for the City of Munich (“Gutachterausschuss”) stated an average increase in prices in 2014 for new apartments in average and good living locations (new and existing buildings) in its 2014 annual report. The increase in prices was even greater for corresponding land plots. Land plots for multi-storey residential buildings in average and good living locations increased on average by 14% in 2014. A distinction between residential locations shows that price elasticity is highest in average locations – that means apartments are still affordable there. These are the locations in which ISARIA Wohnbau AG primarily operates. In its most recent publication, the Committee of Experts reported that purchase prices continued to increase in the first quarter of 2015. In addition to need-driven demand, there is now increasing demand for residential investment properties. This is due to the still very low interest rates and the resulting emergency situation for returns.

Since the last year, 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 fact 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% between 2000 and 2014, and 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. 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. In addition, most of the apartments have been “sensibly” financed – that means with a high proportion of equity and high repayments.

Munich is also far from having an oversupply of apartments. Quite the opposite in fact: the continued high demand for residential properties in Munich has now perceptibly thinned out the offering on the market. The Committee of Experts in Munich ascertained a reduction in the number of sales on the market for owner-occupied apartments for the second successive year in its 2014 annual report. In 2014 this totalled a further 4% after 12% in 2013. This decline in the number of contracts affirms the lack of supply. And this can only be overcome with a sustained and substantial increase in construction activities. The City of Munich’s Planning Department reports that the City of Munich covered the requirement for the construction of 7,000 new apartments annually as 7,026 apartments were completed in 2014 (after 7,904 in 2013). However, this is not sufficient to compensate for the lack of building activities in the past few years. In addition, other institutions believe that actual demand is much higher than the figure estimated by the City of Munich at 11,500 to 12,000 apartments per year. In addition, the space available for construction in Munich is continuing to decrease – in contrast to other large German cities.

As a result, there are currently no indicators that the situation on the market will relax over the medium term, and this means that there is also no substantial decline in price or for that matter 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.

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 2014. 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 the country. Hamburg is also similar to Munich in that it ranks among the German cities in which the population is expected to grow substantially by 2030. As a result, demand is also expected to outstrip supply over the long term in Hamburg. At present, there is a lack of around 15,000 residential units in order to cover requirements. The market report for construction developers (“Marktbericht Bauträger”) of Grossmann & Berger (real estate subsidiary of Haspa – Hamburger Sparkasse) has issued an outlook for 2015 stating that considerable demand will continue to exist in the new apartment segment and that the supply is even diminishing as properties for project development are hard to come by and expensive. 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 on 6 May 2015, ISARIA Wohnbau is currently the second largest project developer for residential properties in Munich.

Competitive position of ISARIA Wohnbau in Hamburg

The properties secured in 2014 mean that ISARIA Wohnbau has laid the foundations to also rank among the top ten residential project developers in Hamburg in future.

2. Financial position and results of operations

During the first half year of 2015 notarised individual sales of € 15.6 million (prior year period: € 37.5 million) were notarised. The amount of the individual sales continues to be mostly due to planning permission for the major project *nido* in Karlsfeld not being issued quickly enough or to the required extent. As a result, it was not yet possible to increase the speed of sales in the first half year of 2015.

Notarised sales less units already transferred resulted in an continued high order book of € 65 million on 30 June 2015 (31 December 2014: € 84 million). This order book secures future revenues. With regard to the revenues forecast for 2015 from the sale of property units, more than 90% of these units have already been notarised.

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.

ISARIA Wohnbau's earnings in the first six months of 2015 were characterised by lower revenues from handing over projects compared to the same period of the previous year, however these were much more profitable. This resulted in a substantial improvement in the gross profit and EBIT margins compared to H1 2014. At the end of the first half year 2015, only approx. 37% of the sales planned for the entire fiscal year 2015 and, as a result, a corre-

sponding share of the margin have been realised. However, the project and financing volume, which has been significantly expanded in comparison to the first half year of 2014, along with the corresponding negative financial result, remains a constant level. The total consolidated earnings after taxes, which were only slightly positive at k€ 68, are below the result for the previous year period (k€ 830), which however exhibited significantly greater revenues.

The revenue volume (revenues from the sale of property units and from rentals as well as from other receivables) totalled k€ 37,295 in the first six months of fiscal year 2015 (H1 2014: k€ 58,008) and is primarily due to the income from the residential units handed over in the respective period. In the first six months of 2015, this was mostly due to the hand-overs of residential units in two further construction stages (WA 8a and WA11a1) in the *nido* construction project (ISARIA Wohnbau Objekt Karlsfeld 2 GmbH and ISARIA Wohnbau Objekt Karlsfeld 3 GmbH). During the same period of the previous year the higher number of handovers were mostly handovers which had been pushed back from the last quarter of 2013 in the revitalisation project *APP.ARTMENTS* (Living Bogenhausen GmbH).

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

The cost of materials rose by k€ 40,893 from k€ 27,534 in the first six months of 2014 to k€ 68,427 in the first six months of 2015. In the amount of k€ 47,276 this increase is attributed to the properties included in first-time consolidation of two project companies. If one excludes this effect, cost of materials declined by k€ 6,383. This decline reflects on one hand the construction volume

that is somewhat lower compared to the same period from the previous year and also the lower number of units under construction. In the same period of the previous year, in addition to the major project *nido* in Karlsfeld, the revitalisation project *APP.ARTMENTS* which was completed in 2014 was also included in the cost of materials. The previous year's figure also contained the purchase price for a newly acquired property in the amount of k€ 4,768.

The residential units from the current construction stages in the *nido* project handed over in the current reporting period are significantly more profitable compared to the construction stages completed in previous periods. These reflect the price increases on the Munich housing market over the past few years. As a result, the gross profit margin was up significantly during the current reporting period. It currently totals 36% compared to 26% in the same period of the previous year.

Personnel expenses increased to k€ 3,269 compared to k€ 2,605 in the same period of the previous year. This increase is due to the higher number of employees in H1 2015 compared to H1 2014 (up by almost 12%). As of 30 June 2015, the ISARIA Wohnbau Group had 57 employees (30 June 2014: 51 employees). In addition, personnel expenses in the period under review include k€ 192 for variable payments for Board members (previous year: k€ 0). This expense is due to payments in the period under review for fiscal year 2014 which were higher than the provisions that had been formed in this regard.

The earnings from the fair-value measurement of investment properties in the amount of k€ 791 resulted from the revaluation of the property at market value in connection with the reclassification of the property previously intended for sale from properties held for sale to investment properties.

Results of operations

	01/01/-06/30/2015 k€	01/01/-06/30/2014* k€	Change k€
Revenues	37,295	58,008	-20,713
Total output	81,674	42,447	39,227
Cost of materials	-68,427	-27,534	-40,893
Gross profit	13,247	14,914	-1,667
Personnel expenses	-3,269	-2,605	-664
Fair-value measurement of investment properties	791	0	791
Other operating income	2,999	1,266	1,733
Other operating expenses	-4,947	-6,384	1,437
EBIT	7,993	6,324	1,669
Financial result	-7,784	-5,891	-1,893
EBT	209	433	-224
Income tax expenses/ gains	-141	397	-538
Comprehensive income	68	830	-762

* adjusted prior-year figures due to the final purchase price allocation of One Group GmbH

Other operating income in the period under review in the amount of k€ 2,999 (H1 2014: k€ 1,266) include 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. This amount was assigned to the company in a final ruling dated 5 February 2015. This ruling is not yet legally enforceable, however the receivable has already been secured. In addition, this item also includes k€ 443 earnings from the sale of a minority shareholding (H1 2014: k€ 0) as well as k€ 257 from the reversal of provisions (H1 2014: k€ 161). Furthermore, earnings from the derecognition of a liability in the amount of k€ 821 are contained in the previous year's figure.

Other operating expenses are lower by k€ 1,437 at k€ 4,947 in the first six months of 2015 (H1 2014: k€ 6,384). Sales commission were k€ 796 lower than in the same period of the previous year. Guarantee and follow-up costs have fallen by k€ 505 and legal and consulting costs are k€ 204 lower than in the same period of the previous year.

EBIT increased by 26% to k€ 7,993 compared to the first six months of the previous year (k€ 6,324). In relation to revenues this results in a substantially improved EBIT margin of a good 21% (H1 2014: 11%).

The negative financial result increased in the first six months of 2015 by k€ 1,893 or 32% to k€ -7,784 compared to k€ -5,891 in the same period of the previous year. Financial income was lower than in H1 2014 (k€ 241), totalling k€ 82 in the first six months of 2015. Financial expenses increased in the first six months of 2015 compared to the same period of the previous year (k€ 6,814) by 19% to k€ 8,094. This increase is directly connected to interest-bearing liabilities which are up by 29% year on year. These, in turn, are due directly to the corresponding higher project volumes to be financed. The fact that financing expenses

have increased to a lesser extent than this figure reflects the further improvement in the financing structure. The project volume to be financed guarantees revenues and consequently earnings for future periods. The result from participating interests carried at equity totalled k€ 228 in the period under review (H1 2014: k€ 682).

Consolidated earnings before taxes were thus k€ 224 lower than the pre-tax earnings in H1 2014 (k€ 433) at k€ 209. Income tax expense in the amount of k€ 141 (H1 2014: income in the amount of k€ 397) led to earnings after taxes of k€ 68 (H1 2014: k€ 830).

Business activities in the *One Group* segment are mostly reflected in the financial result. *One Group* recorded a slightly positive financial result of k€ 108 in the period under review. This includes expenses of k€ -1,039 from the adjustment for the present value of compensation liabilities to the funds' unit holders. Overhead costs in the period under review (personnel expenses, amortisation/depreciation, other operating expenses) totalled k€ 1,176 (H1 2014: k€ 1,418). Considering income tax expenses of k€ 295, on the whole this led to segment earnings after taxes of k€ 83, prior to the consideration of the amortisation of the 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€ 566. This is offset by the resulting reversal of deferred tax liabilities in the amount of k€ 181. In total this results in negative earnings after taxes for the *One Group* segment of k€ -302.

The course of business for the group as a whole was mostly in line with forecasts on the whole in the first six months of 2015.

Net-Asset-Value (NAV)

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. The NAV analysis, however, can only serve as one component for determining the company value in combination with the valuation of the development business of ISARIA Wohnbau.

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 31 December 2014 the EPRA NAV for the ISARIA Wohnbau Group was k€ 112,319. Calculations for residual values and thus the EPRA NAV are only updated every six months. On 30 June 2015, the EPRA NAV slightly increased to k€ 113,092. This is due to the further increases in market prices as well as increases in value due to the development of construction rights which caused further increases in hidden reserves for the properties in the accounts.

EPRA NAV – ISARIA Wohnbau Group

	06/30/2015 k€	12/31/2014 k€
Equity before non-controlling interests	22,978	22,905
Hidden reserves of inventories	90,114	89,414
EPRA NAV	113,092	112,319
Number of shares	23,764	23,764
NAV per share	4.76	4.73

II. Net assets

The company's net assets are mostly characterised by a strong downturn in current assets. Total assets fell by a good 4% to € 287,165 on 30 June 2015 compared to € 300,417 on 31 December 2014.

Non-current assets increased significantly to k€ 48,093 on 30 June 2015 compared to 31 December 2014 (k€ 38,089). This is mainly due to the aforementioned reclassification of a property of One Group previously held in the properties held for sale to investment properties in the amount of k€ 10,800.

Current assets fell by almost 9% to k€ 239,072 on 30 June 2015 compared to 31 December 2014 (k€ 262,328). Receivables from the sale of land are substantially lower by k€ 48,566 as a result of the receipt of a payment

in February 2015 for the purchase price which became due on this date from the sale of a project development which was concluded at the end of 2014. The funds received here were, for the most part, used to repay the corporate bond, liabilities to banks as well as trade payables. Cash as well fell by k€ 11,910 from k€ 42,090 on 31 December 2014 to k€ 30,180 on the balance sheet date. A contradictory trend was shown by the properties held for sale and other inventories, that increased on balance by k€ 34,370 despite the handovers performed during the reporting period as well as the reclassification of a property to investment properties. The inflow of two properties in the amount of k€ 46,562 from the first-time consolidation of two project companies in the second quarter is decisive in this respect. In addition, other receivables and financial assets increased by k€ 2,239. This was mostly due to the capitalisation of the compensation entitlement detailed above.

Net assets

	06/30/2015 k€	12/31/2014 k€	Change k€
Non-current assets	48,093	38,089	10,004
Current assets	239,072	262,328	-23,256
<i>of which: Properties held for sale and other inventories</i>	170,809	136,439	34,370
Equity	22,978	22,905	73
<i>Equity ratio</i>	8.0%	7.6%	-
Non-current liabilities	155,800	115,571	40,229
Current liabilities	108,386	161,941	-53,555
Balance sheet total	287,165	300,417	-13,252

III. Financial position

At k€ 22,978 on 30 June 2015 equity is nearly unchanged compared to 31 December 2014 (k€ 22,905) in line with the nearly balanced consolidated earnings after taxes. As a result of the reduction in total assets the equity ratio increased disproportionately from 7.6% to 8.0%.

Non-current liabilities increased by k€ 40,229 to k€ 155,800 on 30 June 2015 compared to k€ 115,571 on 31 December 2014. This increase is mostly due to an increase in non-current financial liabilities to banks. In connection with the aforementioned first-time consolidation, bank liabilities in the amount of k€ 32,200 with a remaining term of over one year were taken over. Furthermore, an additional bank loan was taken out during the reporting period, which was valued at k€ 7,261 on the balance sheet date. The long-term share of the compensation

liabilities to shareholders in general partnership was increased by k€ 3.493 due to funds raised by the ProReal Deutschland Fonds 4 during the reporting period.

Current liabilities fell by k€ 53,555 to k€ 108,386 on the balance sheet date compared to k€ 161,941 on 31 December 2014. In the first instance, the current portion of compensation liabilities to shareholders in general partnership fell on balance by k€ 1,814. This was due to the profit entitlement for the investors in JK Fonds I being paid out. This legacy fund has thus been fully wound up. Current financial debt to non-banks fell by k€ 10,000 in the period under review as a result of the repayment of the corporate bond in February 2015. Current financial debt to banks fell by k€ 16,320 in the period under review. This is mostly due to the repayment of a loan which was taken over in December 2014 as part of the first-time consolidation of a project development. Trade payables fell by k€ 18,015 as

Financial position

	06/30/2015 k€	12/31/2014 k€	Change k€
Cash and cash equivalents	13,844	17,003	-3,159
	01.01. – 30.06.2015 T€	01.01. – 30.06.2014 T€	Veränderung T€
Cash flow from			
operating activities	24,206	-13,625	37,831
investing activities	1,204	62	1,142
financing activities	-28,568	15,413	-43,981

3. Opportunity and risk report

the result of payment. Other liabilities fell as a result of the repayment of two loans which were also taken over in December 2014 as part of the first-time consolidation of a project development. Liabilities from advance payments decreased by k€ 2,111.

Cash in the ISARIA Wohnbau Group declined compared to 31 December 2014 (k€ 42,090) by k€ 11,910 and totalled k€ 30,180 on the balance sheet date. As of 30 June 2015 the Group could freely dispose of these funds in the amount of k€ 13,844 (31 December 2014: k€ 17,003).

The decrease in freely disposable cash is due to the cash flow from operating activities in the amount of k€ 24,206 (H1 2014: k€ -13,625), the cash flow from investing activities of k€ 1,204 (H1 2014: k€ 62) and the cash flow from financing activities in the amount of k€ -28,568 (H1 2014: k€ 15,413).

The cash flow from operating activities totalled k€ 24,206 in the period under review after k€ -13,625 in the previous year period and is mostly due to the consolidated

earnings before income taxes in the amount of k€ 209 plus the financial result (k€ 7,784), the decrease in properties held for sale of k€ 2,105, the downturn in receivables from the sale of property and other receivables and financial assets of k€ 62,241, and a decrease in non-interest bearing liabilities and provisions by k€ 47,787.

The cash flow from investing activities in the first six months of 2015 amounted to k€ 1,204 (H1 2014: k€ 62) and primarily resulted from cash taken over in the amount of k€ 1,510 in connection with the first-time consolidation of two project companies less payments for the purchase of property, plant and equipment in the amount of k€ 345.

The cash flow from financing activities in the first six months of 2015 amounted to k€ -28,568 (H1 2014: k€ 15,413). The repayment of financial liabilities in the amount of k€ 37,268 (H1 2014: k€ 14,824) and interest payments in the amount of k€ 3,116 (H1 2014: k€ 9,637) exceeded the inflow from drawing down financial liabilities for the ongoing construction activities in the amount of k€ 11,816 (H1 2014: k€ 39,873).

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 2014. From 1 January 2015 no risks have been entered into or have become perceptible which would lead to a different assessment.

In the trial for damages versus a former auditor (fiscal years up to 2009) due to subsequent corrections to the balance sheet, which became necessary, the parties agreed to a settlement before the regional court of Munich I in March 2015. This resulted in other operating income in the low six digit euro range.

4. Report on the events after the balance sheet date

On 28 July 2015, a subordinate bond in the amount of €10.0 million was repaid to STRATOS Mezzanine Fonds. The repayment of this financing subject to interest of 15% p.a. further reduces the Group's costs of financing.

On 29 July 2015, the city council of Munich passed the so-called key data resolution and decision for the development planning process ("Eckdaten- und Aufstellungsbeschluss") for the *Diamant-Quartier* project in Munich-Allach for converting the land for residential use. This marked yet another milestone for the construction of a further large residential district.

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 revenues from the first half of 2015 and the current progress of construction in the large-scale project *nido* in Karlsfeld, we are affirming the forecast we issued on 31 December 2014 for 2015 as a whole foreseeing revenues of around € 100 million. Thus far, only 37% of these anticipated revenues for the entire year have been realised in the first half of the year. This also applies accordingly for the gross profit. Therefore, for the second half of the year a significantly higher absolute gross profit is expected with identical margins and costs remaining at the same level for the most part. As such, a higher overall result is expected for the second half of the year. We therefore continue to predict a positive result after taxes in the high single-digit million euro range.

Munich, 4 August 2015



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

03 | CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

from 1 January to 30 June 2015

	01/01/ - 06/30/2015 k€	01/01/ - 06/30/2014* k€	Q2 2015 k€	Q2 2014* k€
Sales revenue				
a) from the sale of property units	35,070	56,229	21,742	28,691
b) from the lease of property units	2,219	1,672	1,052	905
c) from other deliveries and services	7	107	2	75
	37,295	58,008	22,796	29,670
Change in inventories of properties held for sale with finished or unfinished buildings	44,379	-15,561	43,683	-6,394
Total output	81,674	42,447	66,479	23,276
Cost of materials				
a) Expenses for the sale of property units	-66,838	-26,183	-58,467	-14,551
b) Expenses for the lease of property units	-1,588	-1,350	-857	-738
	-68,427	-27,534	-59,325	-15,289
Gross profit	13,247	14,914	7,154	7,988
Personnel expenses	-3,269	-2,605	-1,662	-1,363
Depreciations / amortisation / impairment charges	-829	-866	-421	-459
Fair-value measurement of investment properties	791	0	791	0
Other operating income	2,999	1,266	828	1,004
Other operating expenses	-4,947	-6,384	-2,852	-3,685
EBIT	7,993	6,324	3,838	3,485
Financial income	82	241	23	124
Financial expenses	-8,094	-6,814	-4,002	-2,971
Result of associates accounted for using the equity method	228	682	231	595
Financial result	-7,784	-5,891	-3,747	-2,252
Consolidated result before income taxes	209	433	91	1,232
Income tax expenses	-141	397	-165	88
Consolidated result after income taxes	68	830	-74	1,320
of which attributable to the shareholders of ISARIA	80	844	-72	1,325
of which attributable to non controlling interests	-12	-13	-2	-5
Other Comprehensive income	0	0	0	0
Comprehensive income	68	830	-74	1,320
of which attributable to the shareholders of ISARIA	80	844	-72	1,325
of which attributable to non controlling interests	-12	-13	-2	-5
Earnings per share in €				
Basic	0.00	0.04	-0.01	0.06
Diluted	0.00	0.04	-0.01	0.06

* adjusted prior-year figures due to the final purchase price allocation of One Group GmbH

Consolidated Balance Sheet

as of 30 June 2015

Assets	06/30/2015 k€	12/31/2014 k€
I. Non-current assets	48,093	38,089
1. Intangible assets	7,941	8,555
2. Investment properties	24,055	13,192
3. Property, plant and equipment	602	328
4. Financial assets		
a) Investments in associates accounted for using the equity method	587	1,040
b) Other investments	0	75
5. Deferred tax assets	14,769	14,758
6. Other accounts receivable	139	140
II. Current assets	239,072	262,328
1. Properties held for sale and other inventories		
a) Properties and equivalent rights with unfinished buildings	170,619	135,799
b) Properties and equivalent rights with finished buildings	190	640
2. Accounts receivable from the sale of property	11,383	59,948
3. Income tax receivables	2,317	1,707
4. Other accounts receivable and financial assets	24,382	22,143
5. Cash and cash equivalents	30,180	42,090
Total assets	287,165	300,417

Equity and liabilities	06/30/2015 k€	12/31/2014 k€
I. Equity	22,978	22,905
1. Subscribed capital	23,764	23,764
2. Equity and Reserves	137,120	137,120
3. Balance sheet loss	-137,896	-137,976
Consolidated equity of the majority shareholders	22,988	22,908
4. Non controlling interests	-10	-3
II. Non-current liabilities	155,800	115,571
1. Compensation liabilities to shareholders in general partnership	88,348	84,855
2. Financial liabilities to banks	62,793	26,562
3. Deferred tax liabilities	1,411	1,335
4. Other provisions	3,248	2,819
III. Current liabilities	108,386	161,941
1. Compensation liabilities to shareholders in general partnership	7,885	9,699
2. Financial liabilities from silent participations, shareholder loans and other forms of capital provision	25,318	35,318
3. Financial liabilities to banks	16,853	33,173
4. Trade accounts payable	10,430	28,445
5. Liabilities from payments made on account	37,060	39,171
6. Income tax liabilities	4,041	4,237
7. Other provisions	2,807	3,892
8. Other liabilities	3,993	8,006
Total equity and liabilities	287,165	300,417

Statement of Changes in Consolidated Equity

from 1 January to 30 June 2015

	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 2014	20,764	8,700	131,472		-147,270	13,665	-59	13,605
Comprehensive Income *	0	0	0		844	844	-13	830
Capital increase	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		-146,426	14,457	-20	14,436
As of 1st January 2015	23,764	0	137,120		-137,976	22,908	-3	22,905
Comprehensive Income	0	0	0		80	80	-12	68
First time consolidation	0	0	0		0	0	5	5
As of 30th June 2015	23,764	0	137,120		-137,896	22,988	-10	22,978

* adjusted prior-year figures due to the final purchase price allocation of One Group GmbH

Consolidated Cash Flow Statement

from 1 January to 30 June 2015

	01/01/ - 06/30/2015 k€	01/01/ - 06/30/2014* k€
Consolidated result before income taxes	209	433
Adjustments for the reconciliation from consolidated result before income taxes to cash flows from operating activities		
Depreciations / amortisation / impairment charges	829	867
Valuation allowances (+) / write-ups (-)	23	131
Financial results	7,784	5,891
Other non-cash expenses / income	-257	0
Decrease (+) and increase (-) in properties held for sale and other inventories	2,105	15,478
Decrease (+) and increase (-) in accounts receivable from the sale of property and of other accounts receivable and financial assets	62,241	-3,012
Increase (+) and decrease (-) in trade accounts payable and other current liabilities	-47,130	-32,948
Increase (+) and decrease (-) in other provisions	-657	580
Income taxes paid (-) / refunded (+)	-942	-1,044
Cash flows from operating activities	24,206	-13,625
Acquisition of intangible assets	0	-9
Acquisition of property, plant and equipment	-345	-11
Corporate acquisitions according to IFRS 3 less cash acquired	1,511	0
Interest received	38	82
Cash flows from investing activities	1,204	62
Net payments from taking out of financial liabilities	11,816	39,873
Repayments of financial liabilities	-37,268	-14,824
Interest paid	-3,116	-9,637
Cash flows from financing activities	-28,568	15,413
Change in cash	-3,159	1,850
Cash at the beginning of the accounting period	17,003	12,393
Cash at the end of the accounting period	13,844	14,243

* adjusted prior-year figures due to the final purchase price allocation of One Group GmbH

Selected Explanatory Notes

to the Condensed Consolidated Interim Financial Statements
as of 30 June 2015

ISARIA Wohnbau AG (hereinafter also referred to as the "Company", "ISARIA", or, in connection with its subsidiaries and joint venture companies as "ISARIA Wohnbau 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. 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 order to realise the highest earnings potential the property might already be sold in an earlier phase of the project development. The business activities of the 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 brand *APP.ARTMENTS*.

The company's business model is to sell all apartments and houses that it has constructed. As of this year, however, it is being continually evaluated as to whether certain properties can also be held as investment properties in our portfolio, such as subsidised residential building properties or commercial properties as part of our residential construction projects whose construction is obligatory with respect to planning law. The same applies for residential properties on offer that have already been built by third parties. The prerequisite for recognition as an investment property is that the presently favourable first-rate interest situation allows for sufficient surpluses from the management of the property to provide a proper return on equity and that this equity is not needed for project developments. This can be ensured e.g. with new financial products from the Group's own financing platform. Overall, investment properties serve to generate rental income to offset the comparatively volatile project development business.

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, in November 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. The company has had an office in Hamburg since December 2014. 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 also referred to as "One Group"). The business activities of One Group mostly comprise the development, structuring and issuing of project development funds for residential construction projects in Germany. In ISARIA Wohnbau's locations these funds invest exclusively in the company's projects. Investments can also be made in external projects in other locations.

One Group is run as a sub-group within the ISARIA Wohnbau Group. 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 2015 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 2014.

The accounting method used for investment properties was changed in the fiscal year. The fair value method now used provides reliable, more relevant information about the effects of transactions, other events or conditions

on the entity's financial position, financial performance or cash flows to the amortised cost method previously used. As a result, earnings from fair value measurement of the investment properties in the amount of k€ 791 resulted from the revaluation of the property at the market value in connection with the reclassification of a property previously intended for sale from the reserves as an investment property. The new application of the fair value method to the properties already kept as investment properties merely led to a write-up to values written down in previous periods, which do not however exceed the underlying amortised costs. Overall, no adjustment of the values from the previous year resulted in connection with this change.

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 31 December 2014.

The consolidated interim financial statements as of 30 June 2015 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 2015, the consolidated interim financial statements comprise, in addition to ISARIA Wohnbau AG, 40 subsidiaries (31 December 2014: 37) and three joint ventures carried at equity.

The company notarised the purchase of 84% of the shares of each of the project companies "Wohnbau Ob-

jekt Hansastrasse GmbH" and "Wohnbau Objekt Tübinger Straße GmbH" by way of notarised purchase agreements in December 2013. The condition precedent for the execution of these agreements was consent from the financing partners. In April 2015, these prerequisites were fulfilled in both cases. As ISARIA Wohnbau AG already held 6% of the shares in each of the aforementioned companies, 90% of the shares of said companies have now been held since this point in time.

The company "ProReal Deutschland Fonds 4 GmbH & Co. geschlossene InvKG" (hereinafter referred to as "ProReal Deutschland Fonds 4") was already founded in the fiscal year 2014 in order to raise financing resources. This company first began operations in the reporting period and has been therefore fully consolidated upon approval to start sales activities by the Federal Financial Supervisory Authority (BaFin) on 23 April 2015.

4. Significant business transactions

On-schedule repayment of corporate bond

On 16 February 2015 the corporate bond 2014/2015 was repaid on schedule in the amount of € 10.0 million.

Start of sales activities of ProReal Deutschland Fonds 4

On 23 April 2015 One Group received its approval and license to start sales of ProReal Deutschland Fond 4, its first regulated investment fund according to the Kapitalanlagegesetzbuch (KAGB - German Capital Investment Code). The planned issuing volume totals € 75 million. By 30 June 2015 over € 5 million were already raised.

Acquisition of majority interests in two project developments

Already in December 2013 the company notarised the acquisition of a majority interest in the special purpose entities "Wohnbau Objekt Hansastrasse GmbH"

and "Wohnbau Objekt Tübinger Straße GmbH" by way of notarised purchase agreements. Various conditions precedent had to occur in order to execute these contracts. These conditions were fully met on 21 April 2015. Since this date, ISARIA Wohnbau AG has held an interest of 90% in each case in these companies, and will include these companies in its consolidated financial statements from this date. Jointly, both of the special purpose entities have a planned sales volume of around € 160 million.

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. 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€ 16,336 (previous year: k€ 22,896), this results in the cash disclosed on the balance sheet.

6. Segment reporting

in k€	New Construction	Revitalisation	One Group	Other	Consolidation / Reconciliation	Group
Sales revenue - external						
01/01/ - 06/30/2015	29,076	6,390	358	1,471	0	37,295
01/01/ - 06/30/2014	20,459	35,900	102	1,546	0	58,008
Sales revenue - internal						
01/01/ - 06/30/2015	0	0	75	0	-75	0
01/01/ - 06/30/2014	0	0	0	0	0	0
Change in inventories						
01/01/ - 06/30/2015	44,889	-1,225	715	0	0	44,379
01/01/ - 06/30/2014 *	2,031	-17,592	0	0	0	-15,561
Gross profit						
01/01/ - 06/30/2015	73,965	5,165	1,148	1,471	-75	81,674
01/01/ - 06/30/2014 *	22,490	18,309	102	1,546	0	42,447
Depreciations						
01/01/ - 06/30/2015	-68	0	-612	-149	0	-829
01/01/ - 06/30/2014 *	-64	0	-654	-148	0	-866
EBIT						
01/01/ - 06/30/2015	5,517	3,123	-296	-47	-304	7,993
01/01/ - 06/30/2014 *	2,597	5,523	-1,882	86	0	6,324
Financial income						
01/01/ - 06/30/2015	40	0	5,179	0	-5,137	82
01/01/ - 06/30/2014 *	148	2	4,561	-33	-4,437	242
Financial expenses						
01/01/ - 06/30/2015	-5,594	-2,556	-5,071	-10	5,137	-8,094
01/01/ - 06/30/2014 *	-5,831	-1,948	-3,144	-329	4,437	-6,815
Result of associates accounted for using the equity method						
01/01/ - 06/30/2015	228	0	0	0	0	228
01/01/ - 06/30/2014	682	0	0	0	0	682
Income tax expenses (-) / income (+)						
01/01/ - 06/30/2015	-33	5	-113	0	0	-141
01/01/ - 06/30/2014 *	-155	519	34	0	0	397
Result after taxes on income						
01/01/ - 06/30/2015	159	572	-302	-57	-304	68
01/01/ - 06/30/2014 *	-2,559	4,096	-431	-276	0	830
Valuation allowances (-) / write-ups (+) on inventories and receivables						
01/01/ - 06/30/2015	-23	0	0	0	0	-23
01/01/ - 06/30/2014	-23	-108	0	0	0	-131

* adjusted prior-year figures due to the final purchase price allocation of One Group GmbH or due to changes in segment allocations

7. Contingencies, contingent liabilities and other financial obligations

With regard to contingencies, contingent liabilities and other financial obligations please refer to the presentation in the notes to the consolidated financial statements for fiscal year 2014, as these substantially remain unchanged as of 30 June 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
- 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.

Carrying amounts and fair values

	Assessment category as per IAS 39	06/30/2015 Carrying amount	06/30/2015 Fair Value	12/31/2014 Carrying amount	12/31/2014 Fair Value
Assets in k€					
Financial assets - Other investments	Afs	0	n/a	75	n/a
Accounts receivable from the sale of property	LaR	11,383	11,383	59,948	59,948
Other accounts receivable and financial assets	LaR	5,102	5,102	5,232	5,170
Cash and cash equivalents	LaR	30,180	30,180	42,090	42,090
Liabilities in k€					
Compensation liabilities to shareholders in general partnership	FLAC	96,233	101,069	94,554	100,266
Financial liabilities from silent participations, shareholder loans and other forms of capital provision	FLAC	25,318	25,362	35,318	35,318
Financial liabilities to banks	FLAC	79,646	81,429	59,735	59,873
Trade accounts payable	FLAC	10,430	10,430	28,445	28,445
Other financial liabilities	FLAC	314	314	5,037	5,037

9. Material transactions with related parties

ISARIA Wohnbau Group's related parties are unchanged compared to the consolidated financial statements as of 31 December 2014, therefore please also refer to the presentation in the notes to the consolidated financial statements for fiscal year 2014.

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

10. Employees

On average there were 58 employees in the first six months of fiscal year 2015.

	06/30/2015	12/31/2014
Number of employees	57	60

11. Events after the balance sheet date

On 28 July 2015, a subordinate bond in the amount of €10.0 million was repaid to STRATOS Mezzanine Fonds. The repayment of this financing subject to interest of 15% p. a. further reduces the Group's costs of financing.

On 29 July 2015, the city council of Munich passed the so-called key data resolution and decision for the development planning process (Eckdaten- und Aufstellungsbeschluss) for the *Diamalt-Quartier* project in Munich-Allach for converting the land for residential use. This marked yet another milestone for the construction of a further large residential district.

Apart from this, 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.

Transactions with related parties

	Revenue	Expenses	Accounts receivable	Liabilities
in k€	01/01/ - 06/30/2015	01/01/ - 06/30/2015	06/30/2015	06/30/2015
JK-COR companies	228	0	0	0
Executive Board and Supervisory Board	0	732	0	14
Total	228	732	0	14
in k€	01/01/ - 06/30/2014	01/01/ - 06/30/2014	12/31/2014	12/31/2014
JK-COR companies	682	0	0	81
Executive Board and Supervisory Board	2	675	0	7
Total	684	675	0	88

Munich, 4 August 2015



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, 4 August 2015



Michael Haupt
Spokesman of the
Executive Board | CEO



Christian Dunkelberg
Member of the
Executive Board | CIO



Jan von Lewinski
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Imprint

Published by and Layout

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Typesetting

TPA Agentur für Kommunikationsdesign GmbH

Photography

Illustration Fuchshuber Architekten GmbH

The interim report for the second quarter 2015 is a translation of the German version. The German version of this interim report is legally binding.

Financial Calendar

Nov 13, 2015

Publication of Q3 Report

Nov 24, 2015

German Equity Forum 2015, Frankfurt am Main

Forward-looking Statements and Forecasts

This 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 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.

