

INTERIM REPORT

AS OF 30 SEPTEMBER 2014
ISARIA WOHNBAU AG



ISARIA Wohnbau Group Key Parameters

OPERATING PERFORMANCE INDICATORS IN € MILLION	01/01/ - 09/30/2014	01/01/ - 09/30/2013	Q3 2014	Q3 2013
Sales revenue	65.4	19.6	7.4	13.6
Total output	80.7	26.4	38.2	11.4
Gross profit	17.4	10.5	2.4	4.1
EBIT	5.5	3.6	-1.0	0.9
EBITDA	6.6	4.5	-0.6	1.2
Financial result	-7.8	-7.1	-1.9	-2.5
Consolidated result after taxes	-1.8	-3.4	-2.7	-1.6
Gross profit margin	27%	54%	33%	30%
EBIT margin	8%	18%	-13%	7%
Profit-turnover-ratio	-3%	-18%	-37%	-12%
Cashflow from operating activities	-13.0	1.1		
Cashflow from investing activities	0.0	1.2		
Cashflow from financing activities	30.3	-13.2		

BALANCE SHEET RATIOS IN € MILLION	09/30/2014	12/31/2013
Current assets	215.5	185.1
of which: Properties held for sale and other inventories	141.5	126.3
Equity	11.8	13.6
Financial liabilities	81.2	75.1
of which: non-current	12.6	15.4
Balance sheet total	255.2	226.9

KEY SALES FIGURES IN € MILLION	01/01/ - 09/30/2014	01/01/ - 09/30/2013
Notarized sales of the period	59	64
	09/30/2014	12/31/2013
Orders on hand*	109	113

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

Employees	09/30/2014	12/31/2013
Number of employees	57	50

SHARE	
ISIN	DE000A1E8H38
WKN	A1E8H3
Market segment	Prime Standard
Highest price 9 months (Xetra)	3.70
Lowest price 9 months (Xetra)	2.36
Closing price on 09/30/2014 (Xetra)	3.40

Table of Contents

TO THE SHAREHOLDERS	4-5
From the construction site to a dream residence	8-9
APP.ARTMENTS continues its success story	10-11
GROUP INTERIM MANAGEMENT REPORT AS OF 30 SEPTEMBER 2014	14-26
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2014	31-42
Consolidated Statement of Comprehensive Income from 1 January to 30 September 2014	31
Consolidated Balance Sheet as of 30 September 2014	32-33
Statement of Changes in Consolidated Equity from 1 January to 30 September 2014	34
Consolidated Cash Flow Statement from 1 January to 30 September 2014	35
Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements as of 30 September 2014	36-42
IMPRINT	44
FINANCIAL CALENDAR	44
DISCLAIMER	46

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

At the end of the third quarter, a total of 254 residential units were being built at our large nido construction site in Karlsfeld. Overall, we are entering the last quarter of the year with an order book of notarised sales in the amount of € 109 million. However, no construction stage was handed over in the third quarter, for which reason, we only generated revenues of approximately € 6.5 million with the individual handovers. Based on the above, we are only able to report a temporarily negative result for this period. It is therefore all the more important to focus on the final quarter and as a result, the entire year. Handovers of numerous – high margin – construction stages are proceeding according to plan. Providing no early onset of winter conflicts with our plans, we will generate revenues of approximately € 100 million as projected at the beginning of the year solely from the handovers to private buyers in 2014.

Our continually improved financial structure has also helped us to push forward important strategic decisions for the further growth of the company during the reporting period. We already reported on properties acquired since 2011 in the second quarter of 2014. The assumption of the project company “Wohnbau Objekt Prinzregentenstraße GmbH”, which was already notarised in December of last year, is expected to take effect in this business year. Following the successful completion of the project development phase, the project company’s real-estate holdings were sold. This sale can therefore be recognised with respect to the revenues and the result in 2014. As a result of this transaction, we are also able to increase our sales forecast and our profit-and-loss forecast for the en-

tire year of 2014. We now expect sales revenues of up to € 150 million and a result in the high single-digit million-euro figure. This would strengthen our Group equity to more than € 20 million.

Financial performance is also secure in the years to come. A good 80 per cent of the planned sales for 2015 have already been realised on the basis of notarial certification; a steady supply of further reservations and sales is also at hand. The corresponding construction stages in Karlsfeld are progressing according to plan. In 2015, we will continue to consistently realise the high margins from the price increases of the last years.

The price of the ISARIA Wohnbau AG share has increased by 17% since the beginning of the year and, dear shareholders, we are convinced that the current prospects form the foundation for a further sustained positive performance of our company’s share.

Munich, 5 November 2014

ISARIA Wohnbau AG
The Executive Board



Michael Haupt
Spokesman of the
Executive Board / CEO



Christian Dunkelberg
Member of the
Executive Board / CIO



Jan von Lewinski
Member of the
Executive Board / COO

**SUSTAINABLE BUILDING
FOR PEOPLE
COMFORTABLE • STYLISH**



nido – a nest for 544 families

ISARIA WOHNBAU AG HAS EXCELLENT REASONS FOR CHOOSING “NIDO” AS THE NAME FOR ITS MAJOR RESIDENTIAL DEVELOPMENT PROJECT IN KARLSFELD (MUNICH) - NIDO MEANS “NEST” IN ITALIAN AND SPANISH.

The Schmid family from Munich were the 444th buyers of a nido home, and received a voucher for 4,444 Euro from ISARIA Wohnbau AG to help them add a few special touches to their own personal nest.

ISARIA's CEO Jan von Lewinski was delighted to present the voucher to the Schmid family in October 2014, with Karlsfeld's mayor Stefan Kolbe joining him in the ceremony.

The Schmid family is currently living in a rented apartment in Munich, and they are counting the days until they move into their nido terraced home in 2016.

nido will continue to provide stable revenues and profits for the ISARIA Wohnbau Group until 2016. This project will make a major contribution to the economic success of both ISARIA Wohnbau AG and also the group in the coming year in particular. This sale to the Schmid family is also adding to the order books for the next two years. More than 80% of the homes scheduled for completion in 2015 have already been sold. Once the last units have been completed in 2016 the ISARIA Wohnbau Group will have recorded revenues of around € 250 million from the entire project. nido is thus ISARIA Wohnbau AG's largest and also most important project since the company's foundation in 1994.

A “nest” on a construction site of 154,000 m² – that started out as a major challenge for planners and architects. The concept was to take the former substation site and turn it into a state-of-the-art, family-friendly residential development. The entire nido site is broken down into a total of 12 construction stages, which are being developed one after the other through to 2016. Each section is planned and built individually. The extensive green areas within the site have been landscaped and make sure that there is a very special park-like atmosphere in the nido development, which continues seamlessly in the direct

proximity of Karlsfeld with its environmentally protected biotopes and its charming streams, fields and meadows.

nido is geared in particular to young families who are looking for a natural, communicative and yet protected environment for their children, but who still want to enjoy the possibilities that a major city such as Munich offers. The nido development's location leaves little to be desired: The town of Karlsfeld is directly to the west of Munich's city limits. The regional station for line 2 S-Bahn trains can be reached by foot in just a few minutes, and it takes just 19 minutes to travel into the city of Munich. nido residents also benefit from the excellent infrastructure offered by Karlsfeld – a town that has grown organically.

nido offers a wide variety of different residential forms, customized to its residents' individual needs. Light-flooded terraced houses with four to five rooms, additional large hobby rooms and other usable space, as well as sunny terraces and gardens also offer a wide variety of possibilities for larger families. Over and above the traditional terraced houses, nido also boasts condominiums as well as penthouses and townhouses. If you are looking for an especially generous home, you're sure to find it in one of the 29 single-family homes, which are also on offer.

In order to meet ISARIA Wohnbau AG's own claims when creating future-proof residential projects, nido not only offers top quality architecture, but also puts state-of-the-art environmental requirements into practice. All of the residential units have been built in line with the KfW standard 70 according to EnEV 2014. A wood-pellet heating plant supplies sustainable district heating.

nido is a flagship residential development project, offering a well-balanced end-to-end concept in the booming Munich region with its enormous demand for residential real estate.



APP.ARTMENTS continues its success story

NEW PROJECT ELSENHEIMERSTRASSE 48-50 IN MUNICH'S WEST END

In the „revitalisation“ segment, ISARIA Wohnbau AG has created over 350 apartments in previously vacant Munich office buildings over the last three years.

The demand for compact dwelling units close to the city continues to dominate as persons living alone between 20 and 40 years of age continue to promote the rapid population growth. The market consisting of employees, business people and freelancers looking for an attractive, compact and well-situated second apartment in Munich also continues to grow steadily.

The address Elsenheimerstrasse 48-50 on the edge of Munich's West End with its outstanding connections to major transport routes and its developed infrastructure offers ideal conditions for these target groups.

The project involves the conversion and expansion of an existing, representative office building located on an approximately 4,500 square metre property.

The original five-story building, which now is predominantly vacant, along with a two-storey underground garage (185 parking spaces) was built by a subsidiary of the Bayerische Landesbank in 1989.

The federal state capital Munich has approved the expansion and conversion of the building to an apartment building in a preliminary building permit.

Once the details of an architectural concept that suits our APP.ARTMENTS product line have been worked out, we expect to begin selling units for the new project in 2015.



Impressions of the Elsenheimerstrasse



FACTS

APP.ARTMENTS

Elsenheimerstrasse 48-50

- approximately 300 apartments
- approximately 11,000 sq. metres
- Total sales volume of € 72 million
- Underground garage
- Well-connected to public transport



Non-binding draft by the architect



WELLENFLUG

Stranninger

POISED FOR
THE FUTURE

GROUP INTERIM MANAGEMENT REPORT

as of 30 September 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 subgroup within the ISARIA Wohnbau Group, and a new segment "One Group" has been formed in this regard. This segment will map this subgroup'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
SEGMENT NEW DEVELOPMENTS					
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
	ISARIA Wohnbau Objekt Karlsfeld 3 GmbH; remaining sections		112	03/2016	Preparation for start of construction
Diamant-Quartier	ISARIA Wohnbau Objekt Am Münchfeld GmbH	Munich-Allach	458	2018 - 2020	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 - rear building	Munich-Giesing	21	03/2014	completed
	gindiwo Gesellschaft für individuelle Wohnungsprivatisierung Objekt St. Bonifatius Strasse mbH - front building		22	12/2014	construction in progress
APP.ARTMENTS Elsenheimer Strasse	ISARIA GmbH & Co. Objekt Metropolis KG	Munich-Westend	245	12/2016	Plan B developed
Tower	ISARIA Tower GmbH	Munich-Obersendling	328	12/2018	Plan B development

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 September 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.

Full placement of the ProReal Deutschland Fonds 3

By the end of September 2014, all units for the ProReal Deutschland Fund 3 of the One Group had been placed with a planned issue volume of € 75.0 million. The pace of placement picked up considerably in the third quarter of 2014. As a result, all units were placed well ahead of the planned date at the end of 2014. The successor product, an Alternative Investment Fund (AIF), which is fully regulated under the German Capital Investment Code (KAGB) is currently in the final conception phase. Market introduction is planned for January 2015.

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, which have now been paid for and taken possession of, will generate future

revenues of around € 100 million. In September, the building purchased on Munich's Elsenheimer Strasse has already received financing from a major German bank up to completion. The building located on Hamburg's Kapstadtring street was initially purchased with funds from the One Group.

Exit of a former shareholder

The former Executive Board member and company founder Mr. Josef Kastenberger parted company with his entire share package in May 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.

Construction in the rear building as part of the "St. Bonifatius" renovation project was completed in the reporting quarter and the apartments were handed over. In the building at the front, renovations of the interior are moving ahead swiftly, for which reason, we expect them to be complete 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. In the third quarter, construction of the units scheduled for handover in the fourth quarter of 2014 proceeded as planned. The construction of 66 additional units also began in the third quarter. On 1 October 2014, there were a total of 254 residential units under construction, of which more than 90% have already been sold. As a result of the major sales success, in addition a further 53 residential units in subsequent sections have been put up for sale, and a good 80% of these had already been sold by the end of March. In 2012 and 2013, a total of 149 residential units in six construction sections had been completed and handed over. ISARIA Wohnbau is realising a total of 544 residential units on this 115,000 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 September 2014. The remaining apartments are being sold and handed over on an ongoing basis.

In the two developments "Diamant-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 publicsector players are involved in type of process. This makes it more difficult to estimate dates precisely in the ongoing development process. In the "Tower" project in Munich-Obersendling, a discussion forum with interested citizens was held in February 2014. The results were accounted for in a so-called key data resolution ("Eckdatenbeschluss") from the federal state capital of Munich, which was passed by city council on 22 October 2014. According to planning regulations, the "Tower" project is integrated in the total "Campus Süd" area. Following the receipt of the key data resolution, an invitation to tender for urban development and landscaping will be initiated in December 2014; a qualified planning procedure will also be carried out at the same time. In general, the two subareas will be evaluated across

property boundaries during these two processes. The invitation texts and the dates have been coordinated with the federal state capital of Munich; the decision of the jury is therefore expected by early May 2015. Once this procedure is complete, urban landuse planning for the "Tower" will commence. With respect to the "Diamant-Quartier" project in Munich-Allach, we are expecting a further key data resolution from the federal state capital of Munich, which is planned for the first quarter of 2015 following scheduling. The content of the key data resolution and the invitation to tender for urban development and landscaping is being prepared at the same time and being coordinated with the department for urban planning and building regulation so that the tendering process can be initiated once the resolution has been issued.

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

Economic growth within the European territory stagnated in the second quarter of 2014. Economic recovery is first expected for the coming year. Contrary to expectations, economic growth in Germany ceased to continue into the warmer months of 2014. The report from the ifw from September 2014, however, maintains its prediction of a very substantial upswing over the medium-term despite current adversity, which will primarily be driven by very low interest rates. Following near stagnation in the third quarter of this year, total economic production will likely grow again in the final quarter.

The construction of residential housing in particular will continue to benefit from this positive climate, especially considering persistently minimal financing costs. In the view of the Ifw, signs of an outright boom are amassing; investments in this area will increase by 3.3 per cent both this year and next.

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

THE MARKET FOR RESIDENTIAL PROJECT DEVELOPERS

While the real-estate economy in Germany (as an indicator for the current situation) continued to grow in the first half of 2014 as it had in 2013, it then declined for three months in a row in the third quarter of 2014 according to the September edition of the Hypo Real Estate Economic Index (Hypo-Immobilienkonjunktur-Index), which is published monthly. As a result, signs indicative of an economic turnaround are amassing. In September 2014, it was a mere 0.6% ahead of the level at the end of 2013. The real-estate climate (as an indicator for the further outlook) also significantly declined in the third quarter of 2014 at -10.5% and is currently 8.1% below the level at the end of 2013. In the third quarter, the climate for residential construction also posted a decline at -6.6%. However, this sector managed to offset a portion of the losses from the previous months in this area with a plus of 5.1%. Even if the climate for residential construction is currently 6.6% below the annual average of 2013, this segment continues to be the most attractive asset class compared to other asset classes as well as a "safe" haven. As a result, the overall climate in the real-estate sector is considered excellent. Project developers in the apartment building sector continue to enjoy an excellent climate in all of Germany's growth regions.

On 1 October 2014, the federal government drafted a bill for imposing limits on rental levels for certain properties, which restrict the new rent level for existing properties being offered for subsequent rent (so-called cap on rent levels). Following the resolution of the federal government,

new buildings to be used and offered for rent for the first time after 1 October 2014 are excluded from these rent level limits. Apartments being offered for rent for the first time following extensive renovations are also excluded from the rent level limits. This exception could make apartments in new buildings even more attractive for private as well as 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 highperformance 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 led to continued high demand on the Munich residential real estate market over the past few years, with a substantial increase in prices. 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. However, this has not (yet) been confirmed by the Munich committee of valuation experts ("Gutachterausschuss") in its biannual report. Based on the current purchase prices per square meter, this returns an increase of 7.6% in the six months of the first half of 2014 for average locations, which is where ISARIA Wohnbau AG is prima-

rily active. This shows that price elasticity continues to be the highest in average locations, that is, apartments that are still affordable. As a result, current price developments are not yet considered a change in trend, but merely the end of the extraordinary economic situation and a return to normality.

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 continued high demand for residential properties has thinned out the offering perceptibly. As a result, the Munich committee of valuation experts again observed a decline in the number of sales on the market for commonhold flats in its current biannual report. In the first half of 2014, this amounted to an additional 9% following 12% 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 construction 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, smallscale properties in the traditional housing estate structures. As a result of the strong growth in the population of Munich, which has been the case for decades, however, some major companies have become established, who mostly ensure urban development growth. ISARIA Wohnbau has ranked among these companies for several years.

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

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

2. FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

Notarised sales in the first nine months of 2014 totalled € 58.7 million. Though this corresponded to a decline versus the record figure of € 63.9 million from the corresponding period last year, it is still at the level from

2011. The record sales of the previous year are, however, also attributed to the simultaneous sale of two construction projects ("nido" in Karlsfeld and "APP.ARTMENTS"), the second of which is already sold out for the most part.

Notarised sales less units already transferred resulted in an continued high order book of € 109 million on 30 September 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 90% of these units have already been notarised.

I. RESULTS OF OPERATIONS

	01/01/-09/30/ 2014	01/01/-09/30/ 2013	Change
	K€	K€	K€
Revenues	65,449	19,619	45,830
Total output	80,679	26,384	54,295
Cost of materials	-63,316	-15,853	-47,463
Gross profit	17,363	10,531	6,832
Personnel expenses	-3,871	-1,897	-1,974
Other operating income	1,559	1,525	34
Other operating expenses	-8,467	-6,197	-2,270
EBIT	5,501	3,621	1,880
Financial result	-7,814	-7,087	-727
Income tax gains	500	19	481
COMPREHENSIVE INCOME	-1,813	-3,446	1,633

The income situation of ISARIA Wohnbau in the first nine months of 2014 is characterised by a high number of project handovers, however, with weak yields. As a result, the revenues and yield are not only significantly ahead of the level from the previous year's period, both figures even exceed the corresponding figures for all of 2013. This success does not, however, manifest itself to the same degree in the EBIT and earnings after tax. The Group result after taxes as at 30 September is again nega-

tive during the year at k€ -1,813, though not as severe as in the previous year's period (k€ -3,446).

In the first nine months of 2014, One Group's earnings were included in consolidated earnings for the first time. The One Group is accounted for in the Group result after taxes to the amount of k€ 337 before prorata depreciation of the assets recognised from the purchase price allocation. ISARIA Wohnbau Group as a standalone (with-

out One Group) closed the first nine months of 2014 with negative earnings after taxes of k€ -1,322. That earnings were not even higher, given the high revenues, is due to the fact that an amount of k€ 3,855 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 (Living Bogenhausen GmbH) in the 2013 consolidated financial statements (so-called step-up). From an economic standpoint and accounting for the earnings contributed, the calculation returns a positive result after taxes in the amount of k€ 2,042. 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€ 65,449 in the first nine months of 2014 (corresponding period last year: k€ 19,619) and is particularly attributed to the proceeds from the dwelling units handed over during the respective period. In the first nine 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. This was accompanied, though limited in volume, by handovers from units completed in the "St. Bonifatius" revitalisation project and the handover of the (commercial) unit last sold in the reporting quarter from the old "Maistraße" project.

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 k€ 47,463 in the first nine months of 2014 to k€ 63,316 compared to k€ 15,853 in the first nine 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€ 3,871 compared to k€ 1,897 in the same period of the previous year. Of this increase, k€ 1,123 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. The remaining increase is attributed to the continual expansion of the workforce at ISARIA Wohnbau during the reporting period. As of 30 September 2014, 57 employees were employed at the ISARIA Wohnbau Group (30 September 2013: 30 employees). Of this total, 16 employees are from One Group.

Other operating expenses increased by k€ 2,270 in the first nine months of 2014 to k€ 8,467 compared to k€ 6,197 in the first quarter of 2013. Of this increase, k€ 1,198 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€ 665. 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€ 518 higher than in the same period of the previous year.

EBIT more than 50% improved to k€ 5,501 compared to the first nine months of the previous year (k€ 3,621). Based on revenues (EBIT margin), this only results in a figure of a good 8% (Q3 2013: good 18%). 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 "APP.ARTMENTS" 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 nine months of 2014 by k€ 727 or 10% to k€ -7,814 compared to k€ -7,087 in the same period of the previous year. Financial income was significantly higher in the first nine months of 2014 at k€ 1,709 compared

to the same period of the previous year (k€ 908). The reason for this are one-off effects from present value adjustments of liabilities. Financial expenses increased in the first nine months of 2014 by 5% to k€ 10,205 compared to the same period of the previous year (k€ 9,719). This increase is directly related to the interest bearing liabilities which increased by a good 66% 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 low in relation to this 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 (Q3 2013: k€ 1,724).

The consolidated result before taxes also improved in the reporting period compared to the previous year's period, but still remained negative at k€ -2.313 (previous year's period k€ -3,466). A positive effect from income taxes as a result of a partial reversal of deferred tax liabilities led to earnings after taxes of k€ -1,813 (Q3 2013: k€ -3,446).

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€ 2,409. This positive financial result made it possible to generate a positive result before taxes for the segment in the amount of k€ 576 during the reporting period following coverage of the overhead costs. Even after taxes, the result for the segment remained positive at k€ 337.

The business development across the Group was only satisfactory in part during the first nine months of 2014 despite a sales volume already exceeding the entire previous year, an EBIT that had improved by 50% and a significantly improved financing structure due to the negative result after taxes as at 30 September 2014. However, this met expectations to a large extent. 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 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.

	06/30/ 2014	12/31/ 2013	12/31/ 2013
	K€	K€	K€
EPRA NAV – ISARIA WOHNBAU GROUP	ADJUSTED	ADJUSTED	REPORTED
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.

II. NET ASSETS

	09/30/ 2014	12/31/ 2013	Change
	K€	K€	K€
Non-current assets	39,610	41,817	-2,207
Current assets	215,548	185,123	30,425
<i>of which: Properties held for sale and other inventories</i>	<i>141,538</i>	<i>126,334</i>	<i>15,204</i>
Equity	11,793	13,606	-1,813
Non-current liabilities	98,455	66,697	31,758
Current liabilities	144,910	146,636	-1,726
BALANCE SHEET TOTAL	255,158	226,939	28,219

Total assets increased by around 12% to k€ 255,158 on 30 September 2014 compared to k€ 226,939 on 31 December 2013.

Non-current assets fell by k€ 2,207. 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 increased by k€ 30,425 to

k€ 215,548 on 30 September 2014 compared to 31 December 2013 (k€ 185,123). Within current assets, the properties held for sale and other inventories increased by k€ 15,204 as a result of the handovers in the quarter under review. The cash increased by k€ 19,111 from k€ 32,303 on 31 December 2013 to k€ 51,414 on the reporting date. This increase primarily originated from funds of the ProReal Deutschland Fonds 3 that had already been collected on the reporting date, but had not yet been in-

vested. In addition, receivables from the sale of properties and other receivables and financial assets fell by k€ 5,022 in total.

III. FINANCIAL POSITION

Equity fell to k€ 11,793 on 30 September 2014 compared to 31 December 2013 (k€ 13,606) in line with the negative consolidated earnings after taxes. The equity ratio thus reduced from 6.0% to 4.6%.

Non-current liabilities increased by k€ 31,758 from k€ 98,454 on 31 December 2013 to k€ 78,849 on the reporting date. This increase is mostly due to the funds acquired during the first nine 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. Long-term financial debt with banks developed in the opposite direction and declined by k€ 2,791 as the result of repayment during the reporting period.

Short-term debt fell only slightly from k€ 146,636 as at 31 December 2013 by k€ 1,726 or 1% to k€ 144,910 as at the reporting date. The short-term portion of the compensation liabilities to shareholders in general partnership increased on balance by k€ 3,419. At the same time, however, a decline in liabilities to investors in the JK Fonds I through the complete repayment of the contributions in the amount of k€ 8,638 is offset, on one hand, by an increase from the reclassification of the terms of the liabilities towards investors of the ProReal Deutschland Fonds GmbH & Co. KG in the long-term category to short-term liabilities amounting to k€ 12,065 on the other hand. The short-term financial debt with non-banks declined by a mere k€ 500 during the reporting period. At the same time, the corporate bond amounting to k€ 10,000 issued during the reporting period is opposed by the redemption of other mezzanine funding amounting to a total of k€ 10,500. Short-term financial debt with banks increased on balance by k€ 9,415 during the reporting period. This is due to the assumption of a new loan amounting to

k€ 14,000 to finance the purchase of a newly acquired property, which is in part offset by the repayment and partial repayment totalling k€ 4,581 in various other projects. In contrast, trade payables declined by k€ 6,997 primarily due to low liabilities and/or provisions for construction costs not yet settled. The interest liabilities contained in the remaining debts declined by k€ 5,364 as the result of payments. At the same time, liabilities from advance payments remained nearly unchanged. In this respect, things out balanced between the reduction due to the hand-overs of residential units in the reporting period and the increase in further instalments acquired that came as construction advanced.

The cash and cash equivalents of the Group increased in comparison to 31 December 2013 (k€ 32,303), particularly due to funds of the ProReal Deutschland Fonds 3 increased by k€ 19,111 that had already been collected on the reporting date, but had not yet been invested, and which amounted to k€ 51,414 as at the reporting date. The group can freely dispose of these funds in the amount of k€ 29,716 on 30 September 2014 (31 December 2013: k€ 12,393). The change in freely disposable cash is as follows:

	09/30/ 2014	12/31/ 2013	Change
	k€	k€	k€
Cash	29,716	12,393	17,323

	01/01/ - 09/30/2014	01/01/ - 09/30/2013	Change
	k€	k€	k€
Cash flow from			
operating activities	-12,969	1,092	-14,061
investing activities	-14	1,158	-1,172
financing activities	30,305	-13,232	43,537

The cash flow from operating activities totalled k€ -12,969 in the year under review after k€ 1,092 in the previous year and is mostly due to the consolidated earnings before income taxes in the amount of k€ -2,313 plus the financial result (k€ 7,814), the increase in properties held for sale by k€ 14,587, the reduction in receivables from the sale of properties and other receivables and financial assets of k€ 5,788, as well as a downturn in noninterest bearing liabilities and provisions of k€ 8,743.

The cash flow from investing activities in the first nine months of 2014 amounted to k€ -14 (Q3 2013: k€ 1,158). In Q3 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 nine months of 2014 amounted to k€ 30,305 (Q3 2013: k€ -13,232). The inflow from drawing down financial liabilities for the ongoing construction activities in the amount of k€ 75,967 (Q3 2013: k€ 19,594) exceeded the repayment of financial liabilities in the amount of k€ 33,564 (Q3 2013: k€ 26,226) and interest payments in the amount of k€ 12,098 (Q3 2013: k€ 6,601).

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.

On 1 October 2014, the federal government drafted a bill for imposing limits on rent levels for certain properties, which limits the new rent level for existing properties being offered for subsequent rent (so-called ceiling on rental levels). Following the resolution of the federal government, new buildings to be used and offered for rent for the first time after 1 October 2014 are excluded from these rent level limits. Apartments being offered for rent for the first time following extensive renovations are also excluded from the rent level limits. This could make apartments in new buildings even more attractive for private as well as institutional investors. If the limit on rent levels subsequently applies to newly rented and renovated real estate as the result of amendments occurring during the further legislative procedure, this could negatively influence demand and therefore affect the possibilities of ISARIA Wohnbau with respect to the sale of new or revitalised real-estate.

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 ac-

counting 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 for 2014 is outsourced to an external service provider, has already been fully integrated into ISARIA Wohnbau'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

On 22 October 2014, One Group GmbH sold its majority shareholding of over 66.67% in One Finance OFC GmbH, Hamburg to the minority shareholder up to that time with effect on 1 November 2014. The Company does not expect any significant financial effects from this sale.

Already in December 2013, the company notarised the purchase of the majority shareholding of the project company "Wohnbau Objekt Prinzregentenstraße GmbH" by way of a notarised purchase agreement, among other things. Following the successful completion of project development, the real estate of the project company was sold on 5 November 2014 with the notarised agreement. The transfer of use and obligation resulting from this property sale will occur no later than 30 December 2014. The company assumes that the takeover of the project company will take effect in 2014 and that the sale of the real estate will affect the Group's revenues and the result this year. Therefore, the results initially

planned for 2016 and 2017 will be brought forward to the current period. Profit before tax in the low double-digit millions results from this sale. This significantly contributes to the positive income situation in the 4th quarter and consequently in 2014 as a whole while strengthening the Group's equity position.

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

In the last quarter of 2014, the company expects to hand-over various construction stages of the nido project in Karlsfeld and from the project development mentioned in the report on events after the balance sheet date. Particularly due to the latter, the forecast concerning a sales volume of approximately € 100 million, which was issued in connection with the report as at 31 December 2013 for the full year of 2014, will be increased up to € 150 million. The projects to be handed over in the final quarter offer significantly greater margins than the construction stages completed in the current business year so far. As a result of the expansion of revenues, we are also increasing the forecast we previously issued concerning a positive result after taxes from a mid single-digit million-euro figure to a high single-digit million-euro figure. As at 31 December 2014, this would correspond to equity of more than € 20 million.

Munich, 5 November 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

**MORE THAN MERE LIVING,
CREATING LIVING SPACE**



Facade view of the new revitalisation object in Munich's west end.



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of 30 September 2014

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

	01/01/ - 09/30/ 2014	01/01/ - 09/30/ 2013	Q3 2014	Q3 2013
	K€	K€	K€	K€
SALES REVENUE				
a) from the sale of property units	62,798	17,298	6,569	12,788
b) from the lease of property units	2,506	2,321	834	775
c) from other deliveries and services	146	0	39	0
Change in inventories of properties held for sale with finished or unfinished buildings	15,230	6,764	30,791	-2,147
TOTAL OUTPUT	80,679	26,384	38,232	11,417
Cost of materials				
a) Expenses for the sale of property units	-61,281	-13,758	-35,098	-6,580
b) Expenses for the lease of property units	-2,035	-2,095	-685	-721
GROSS PROFIT	17,363	10,531	2,450	4,115
Personnel expenses	-3,871	-1,897	-1,266	-658
Depreciations / amortisation / impairment charges	-1,084	-341	-358	-108
Other operating income	1,559	1,525	293	-26
Other operating expenses	-8,467	-6,197	-2,083	-2,378
EBIT	5,501	3,621	-964	945
Financial income	1,709	908	1,467	152
Financial expenses	-10,205	-9,719	-3,390	-3,357
Result of associates accounted for using the equity method	682	1,724	0	690
FINANCIAL RESULT	-7,814	-7,087	-1,923	-2,515
CONSOLIDATED RESULT BEFORE INCOME TAXES	-2,313	-3,466	-2,887	-1,570
Income tax expenses (-)/ gains (+)	500	19	148	-7
CONSOLIDATED RESULT AFTER TAXES ON INCOME	-1,813	-3,446	-2,739	-1,577
of which attributable to the shareholders of ISARIA	-1,790	-3,484	-2,729	-1,645
of which attributable to non controlling interests	-23	38	-9	69
Other Comprehensive income	0	0	0	0
COMPREHENSIVE INCOME	-1,813	-3,446	-2,739	-1,577
of which attributable to the shareholders of ISARIA	-1,790	-3,484	-2,729	-1,645
of which attributable to non controlling interests	-23	38	-9	69
EARNINGS PER SHARE IN €				
Basic	-0.08	-0.17	-0.12	-0.08
Diluted	-0.08	-0.17	-0.12	-0.08

CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2014

Assets	09/30/ 2014	12/31/ 2013	Equity and liabilities	09/30/ 2014	12/31/ 2013
	K€	K€		K€	K€
I. Non-current assets	39,610	41,817	I. Equity	11,793	13,606
1. Intangible assets	8,955	9,704	1. Subscribed capital	23,764	20,764
2. Investment properties	14,482	14,699	2. Equity and Reserves	137,120	131,472
3. Property, plant and equipment	345	393	3. Balance sheet loss	-149,061	-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	11,823	13,665
b) Other investments	37	37	5. Non controlling interests	-30	-59
5. Deferred tax assets	14,719	14,112			
6. Other accounts receivable	42	5	II. Non-current liabilities	98,455	66,697
			1. Compensation liabilities to shareholders in general partnership	82,010	47,712
II. Current assets	215,548	185,123	2. Financial liabilities to banks capital provision	12,564	15,355
1. Properties held for sales and other inventories			3. Deferred tax liabilities	1,199	1,453
a) Properties and equivalent rights with unfinished buildings	140,898	125,694	4. Other provisions	2,681	2,177
b) Properties and equivalent rights with finished buildings	640	640			
2. Accounts receivable from the sale of property	5,896	4,316	III. Current liabilities	144,910	146,636
3. Income tax receivables	1,209	77	1. Compensation liabilities to shareholders in general partnership	14,403	10,983
4. Other accounts receivable and financial assets	15,491	22,093	2. Financial liabilities from silent participations, shareholder loans and other forms of capital provision	46,947	47,447
5. Cash and cash equivalents	51,414	32,303	3. Financial liabilities to banks	21,697	12,282
			4. Trade accounts payable	8,129	15,127
			5. Liabilities from payments made on account	47,598	46,988
			6. Income tax liabilities	1,773	1,748
			7. Other provisions	1,693	2,143
			8. Other liabilities	2,670	9,919
Total assets	255,158	226,939	Total equity and liabilities	255,158	226,939

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FROM 1 JANUARY TO 30 SEPTEMBER 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	-3,484	-3,484	38	-3,446
Contribution from shareholders	0	0	3,301	0	3,301	0	3,301
Financial guarantees by Josef L. Kastenberger / JK Holding GmbH	0	0	91	0	91	0	91
As of 30th September 2013	20,764	0	133,909	-151,800	2,872	82	2,955
As of 1st January 2014	20,764	8,700	131,472	-147,270	13,665	-59	13,606
Comprehensive Income	0	0	0	-1,790	-1,790	-23	-1,813
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 September 2014	23,764	0	137,120	-149,061	11,823	-30	11,793

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY TO 30 SEPTEMBER 2014

	01/01/ - 09/30/ 2014	01/01/ - 09/30/ 2013*
	K€	K€
CONSOLIDATED RESULT BEFORE INCOME TAXES	-2,313	-3,466
Adjustments for the reconciliation from Consolidated result before income taxes to Cash flows from operating activities		
Depreciations / amortisation / impairment charges	1,084	341
Valuation allowances (+) / write-ups (-)	-598	-69
Financial results	7,814	7,087
Results from the sale of investment properties	0	-649
Decrease (+) and increase (-) in properties held for sale and other inventories	-14,587	-6,729
Decrease (+) and increase (-) in accounts receivable from the sale of property and of other accounts receivable and financial assets	5,788	3,236
Increase (+) and decrease (-) in trade accounts payable and other current liabilities	-8,743	3,018
Increase (+) and decrease (-) in other provisions	55	-829
Income taxes paid	-1,467	-850
CASH FLOWS FROM OPERATING ACTIVITIES	-12,969	1,092
Acquisition of intangible assets	-10	-18
Acquisition of property, plant and equipment	-83	-7
Payments from the sale of property, plant and equipment	21	0
Payments from the sale of investment properties	0	1,155
Interest received	86	29
CASH FLOWS FROM INVESTING ACTIVITIES	-14	1,158
Payments from taking out of financial liabilities	75,967	19,594
Repayments of financial liabilities	-33,564	-26,226
Interest paid	-12,098	-6,601
CASH FLOWS FROM FINANCING ACTIVITIES	30,305	-13,232
CHANGE IN CASH	17,323	-10,982
CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD	12,393	11,762
CASH AT THE END OF THE ACCOUNTING PERIOD	29,716	780

* adjusted, see par. 5

SELECTED EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 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 been subjected to an audit review.

1. BUSINESS OPERATIONS

The ISARIA Wohnbau Group is a project developer for residential properties in the greater Munich area. The Group buys plots of land in attractive locations via independent special purpose entities/subsidiaries, plans residential properties in these locations, constructs

these and then sells them. The business activities of the ISARIA Wohnbau Group include the divisions New Construction of 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 September 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 September 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 September 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 September 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 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.

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.

FULL PLACEMENT OF THE PROREAL DEUTSCHLAND FONDS 3

By the end of September 2014, all units for the ProReal Deutschland Fund 3 of the One Group had been placed with a planned issue volume of € 75.0 million. The pace of placement picked up considerably in the third quarter of 2014. As a result, all units were placed well ahead of the planned date at the end of 2014. The successor product, an Alternative Investment Fund (AIG), which is fully regulated under the German Capital Investment Code (KAGB)

is currently in the final conception phase. Market introduction is planned for January 2015.

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, which have now been paid for and taken possession of, will generate future revenues of around € 100 million.

In September, the building purchased on Munich's Elsenheimerstrasse has already received financing from a major German bank up to completion. The building located on Hamburg's Kapstadtring street was initially purchased with funds from the One Group.

EXIT OF A FORMER SHAREHOLDER

The former Executive Board member and company founder Mr. Josef Kastenberger parted company with his entire share package in May 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€ 21,699 (previous year: k€ 12,175), 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/-09/30/2014	21,266	41,770	144	2,269	0	65,449
01/01/-09/30/2013	17,484	0	0	2,135	0	19,619
SALES REVENUE - INTERNAL						
01/01/-09/30/2014	0	0	156	0	-156	0
01/01/-09/30/2013	0	0	0	0	0	0
CHANGE IN INVENTORIES						
01/01/-09/30/2014	15,211	-5,056	5,075	0	0	15,230
01/01/-09/30/2013	2,952	3,812	0	0	0	6,764
GROSS PROFIT						
01/01/-09/30/2014	36,478	36,714	5,375	2,269	-156	80,679
01/01/-09/30/2013	20,437	3,812	0	2,135	0	26,384
DEPRECIATIONS						
01/01/-09/30/2014	-96	0	-128	-222	-638	-1,084
01/01/-09/30/2013	-116	0	0	-225	0	-341
EBIT						
01/01/-09/30/2014	3,397	5,043	-1,833	-74	-1,032	5,501
01/01/-09/30/2013	1,804	1,462	0	355	0	3,621
FINANCIAL INCOME						
01/01/-09/30/2014	1,441	19	5,299	42	-5,093	1,709
01/01/-09/30/2013	839	3	0	66	0	908
FINANCIAL EXPENSES						
01/01/-09/30/2014	-9,003	-2,992	-2,890	-412	5,093	-10,205
01/01/-09/30/2013	-7,046	-1,981	0	-692	0	-9,719
RESULT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD						
01/01/-09/30/2014	682	0	0	0	0	682
01/01/-09/30/2013	1,724	0	0	0	0	1,724
INCOME TAX EXPENSES (-) / INCOME (+)						
01/01/-09/30/2014	-172	707	-239	0	204	500
01/01/-09/30/2013	-38	50	0	7	0	19
RESULT AFTER TAXES ON INCOME						
01/01/-09/30/2014	-3,655	2,777	337	-444	-828	-1,813
01/01/-09/30/2013	-2,718	-466	0	-263	0	-3,446
VALUATION ALLOWANCES (-) / WRITE-UPS (+) ON INVENTORIES AND RECEIVABLES						
01/01/-09/30/2014	-23	-108	0	0	0	-131
01/01/-09/30/2013	-63	132	0	0	0	69

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 September 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. Following the key data resolu-

tion passed on 22 October 2014, a further installment rate of k€ 7,000 became due. The company believes that the reminder 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:

	Assessment category as per IAS 39	09/30/2014 Carrying amount	09/30/2014 Fair Value	12/31/2013 Carrying amount	12/31/2013 Fair Value
		K€	K€	K€	K€
Assets					
Financial assets – Other investments	AfS	37	n/a	37	n/a
Accounts receivable from the sale of property	LaR	5,896	5,896	4,316	4,316
Other accounts receivable and financial assets	LaR	5,834	5,834	13,103	13,103
Cash and cash equivalents	LaR	51,414	51,414	32,303	32,303
Liabilities					
Compensation liabilities to shareholders in general partnership	FLAC	96,413	96,413	58,696	58,696
Financial liabilities from silent participations, shareholder loans and other forms of capital provision	FLAC	46,947	47,040	47,447	48,149
Financial liabilities to banks	FLAC	34,261	33,935	27,637	27,797
Trade accounts payable	FLAC	8,129	8,129	15,127	15,127
Other financial liabilities	FLAC	209	209	5,572	5,572

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

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

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

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

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

9. MATERIAL TRANSACTIONS WITH RELATED PARTIES

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

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 May 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. 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:

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/ - 9/30/ 2014	Expenses 01/01/ - 9/30/ 2014	Accounts receivable 9/30/ 2014	Liabilities 9/30/ 2014
	K€	K€	K€	K€
JK-COR companies	682	0	0	0
JK Holding companies	0	1	0	0
Executive Board and Supervisory Board	2	972	0	7
Josef L. Kastenberger	77	0	62	0
Total	761	973	62	7

Transactions with related parties	Revenue 01/01/ - 9/30/ 2013	Expenses 01/01/ - 9/30/ 2013	Accounts receivable 12/31/ 2013	Liabilities 12/31/ 2013
	K€	K€	K€	K€
JK-COR companies	1,724	0	0	0
JK Holding companies	0	2	0	0
Executive Board and Supervisory Board	11	502	0	85
Josef L. Kastenberger	652	604	1,502	0
Total	2,387	1,108	1,502	85

10. EMPLOYEES

On average there were 54 employees in the first nine months of fiscal year 2014.

	09/30/2014	12/31/2013
NUMBER OF EMPLOYEES	57	50

11. EVENTS AFTER THE BALANCE SHEET DATE

On 22 October 2014, One Group GmbH sold its majority shareholding of over 66.67% in One Finance OFC GmbH, Hamburg to the minority shareholder up to that time with effect on 1 November 2014. The Company does not expect any significant financial effects from this sale.

Already in December 2013, the company notarised the purchase of the majority shareholding of the project company "Wohnbau Objekt Prinzregentenstraße GmbH" by way of a notarised purchase agreement, among other things. Following the successful completion of project development, the real estate of the project company was sold on 5 November 2014 with the notarised agreement. The transfer of use and obligation resulting from

this property sale will occur no later than 30 December 2014. The company assumes that the takeover of the project company will take effect in 2014 and that the sale of the real estate will affect the Group's revenues and the result this year. Therefore, the results initially planned for 2016 and 2017 will be brought forward to the current period. Profit before tax in the low double-digit millions results from this sale. This significantly contributes to the positive income situation in the 4th quarter and consequently in 2014 as a whole while strengthening the Group's equity position.

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.

Munich, 5 November 2014



Michael Haupt
Spokesman of the
Executive Board / CEO



Christian Dunkelberg
Member of the
Executive Board / CIO



Jan von Lewinski
Member of the
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Financial Calendar

Nov 26, 2014: German Equity Forum, Frankfurt/Main

March 2015: Publication of Annual Report 2014

May 15, 2015: Publication of Q1 Report 2015

May 2015: Annual General Meeting

Aug 14, 2015: Publication of Q2 Report 2015

Nov 13, 2015: Publication of Q3 Report 2015

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.

