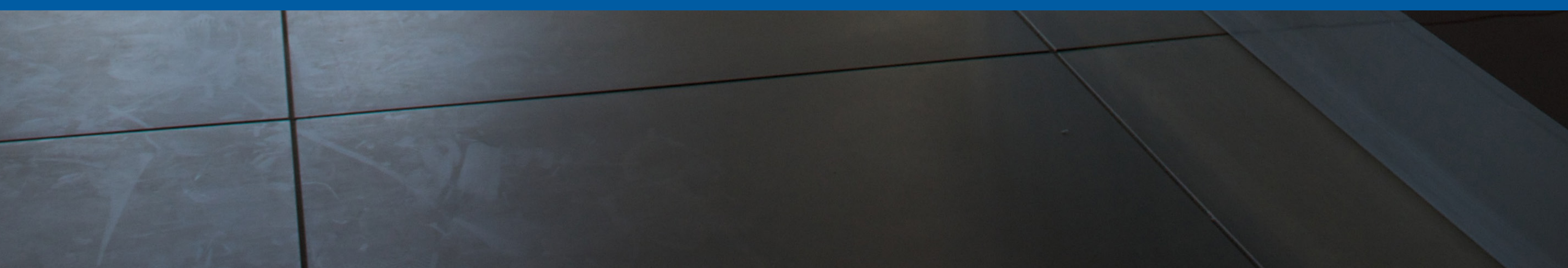
CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014

westgrund
AKTIENGESELLSCHAFT



Condensed Consolidated Interim Financial Statements of

WESTGRUND AG

for the nine month period ended September 30, 2014

Consolidated Balance Sheet as of 30 September 2014

ASSETS	30 September 2014	30 September 2014	31 Dec. 2013
	EUR	EUR	KEUR
A. Non-current assets			
I. Intangible assets			
1. Trademarks and similar rights	35,169.00		0
2. Goodwill	0.00	**35,169.00**	0
II. Investment properties		**581,456,830.24**	230,655
III. Plant and equipment			
1. Technical equipment, plant and machinery	211,295.03		247
2. Other equipment, fixtures and fittings	30,606.00	**241,901.03**	23
IV. Financial assets			
1. Security investments		**27,512.00**	28
V. Other non-current assets		**2,716,728.16**	809
VI. Deferred tax assets		**41,104.13**	135
B. Current assets			
I. Properties intended for sale and other inventories			
1. Properties intended for sale	240,682.80		236
2. Services not yet settled	14,034,008.14		7,707
3. Work in progress	737,025.00	**15,011,715.94**	737
II. Receivables and other assets			
1. Trade receivables	1,089,024.22		742
2. Tax receivables	42,143.09		46
3. Other assets	714,700.22	**1,845,867.53**	740
III. Cash on hand, cash at banks and insurers providing capital		**33,848,901.24**	4,024
C. Assets held for sale		**12,905,188.91**	1,252
		648,130,918.18	**247,381**

EQUITY AND L I A B I L I T I E S	30 September 2014	30 September 2014	31 Dec. 2013
	EUR	EUR	KEUR
A. Equity			
I. Subscribed capital	73,890,213.00		24,090
II. Reserves	114,099,611.08		12,288
III. Shares of minority shareholders	1,015,501.71		332
IV. Retained earnings	67,690,400.17	**256,695,725.96**	39,387
B. Non-current liabilities			
1. Deferred tax liabilities	14,220,507.09		9,926
2. Provisions for pensions	72,850.00		97
3. Liabilities due to banks and capital providing insurers	196,268,631.01		97,385
4. Derivatives	5,861,114.49		951
5. Convertible bond	17,306,279.47		0
6. Leasing liabilities	4,719,131.35	**238,448,513.41**	4,729
C. Current liabilities			
1. Liabilities due to banks and capital providing insurers	111,154,510.73		38,656
2. Advanced payments received	14,177,040.82		7,414
3. Leasing liabilities	12,090.73		11
4. Trade liabilities	2,142,692.64		1,002
5. Tax liabilities	36,986.89		33
6. Other liabilities	12,558,168.09	**140,081,489.90**	10,197
D. Liabilities related to assets held for sale		**12,905,188.91**	883
		648,130,918.18	247,381

Consolidated Income Statement for the period from 1 January 2014 to 30 September 2014

	01.07.2014 - 30.09.2014	01.07.2013 - 30.09.2013	01.01.2014 - 30.09.2014	01.01.2013 - 30.09.2013
	EUR	KEUR	EUR	KEUR
1. Revenues	**6,897,770.63**	4,566	**16,255,691.21**	10,551
2. Change in stocks of not settled services and work in progress	**2,067,712.78**	1,531	**6,265,185.60**	3,805
3. Results from the valuation of investment properties	**33,867,214.14**	1,539	**42,527,219.56**	9,480
4. Other operating income	**248,385.76**	0	**407,495.17**	71
5. Cost of materials	**-4,606,253.07**	-3,039	**-11,752,681.28**	-7,310
6. Profit from sale of investment properties	**0.00**	40	**0.00**	40
7. Personnel expenses	**-807,575.60**	-258	**-1,764,829.43**	-866
8. Depreciation	**-28,639.30**	-8	**-77,035.14**	-40
9. Other operating expenses	**-623,058.18**	-478	**-2,249,808.23**	-1,722
10. Income from Investments	**0.00**	9	**0.00**	9
11. Profit from the sale of subsidiaries	**0.00**	0	**380,873.28**	0
12. Other interest and similar income	**45,293.14**	3	**85,955.78**	22
13. Interest and similar expenses	**-11,331,634.77**	-1,210	**-16,117,177.45**	-2,748
14. Profit from first-time consolidation	**0.00**	0	**101,030.05**	0
15. Share of profits/losses in associated companies	**0.00**	31	**0.00**	-94
16. Result of ordinary business operations	**25,729,215.53**	2,727	**34,061,919.12**	11,198
17. Taxes on income	**-4,000,160.76**	-758	**-5,588,106.45**	-2,138
18. Other taxes	**-697.20**	0	**-797.50**	0
19. Consolidated net result	**21,728,357.57**	1,969	**28,473,015.17**	9,061
20. Result attributable to minority interest	**-9,026.47**	-100	**-170,081.94**	-67
21. Profits attributable to shareholders of the parent company	**21,719,331.10**	1,869	**28,302,933.23**	8,994
22. Consolidated profit carried forward	**45,971,069.07**	28,711	**39,387,466.94**	21,586
23. Retained earnings	**67,690,400.17**	30,580	**67,690,400.17**	**30,580**

Consolidated Statement of Comprehensive Income for the period from 1 January to 30 September 2014

	01.07.2014 - 30.09.2014 EUR	01.07.2013 - 30.09.2013 KEUR	01.01.2014 - 30.09.2014 EUR	01.01.2013 - 30.09.2013 KEUR
Consolidated net result	21,728,357.57	1,969	28,473,015.17	9,061
Fair value changes of interest swaps	-3,230,438.37	0	-3,230,438.37	0
Deferred taxes	511,378.39	0	511,378.39	0
Comprehensive income of the period	19,009,297.59	1,969	25,753,955.19	9,061
Consolidated net result	21,728,357.57	1,969	28,473,015.17	9,061
Shareholders of the parent company	21,719,331.10	1,869	28,302,933.23	8,994
Shares without controlling influence	9,026.47	100	170,081.94	67
Earnings per share				
Non-diluted earnings per share (in EURO)	0.69	0.09	0.95	0.44
Diluted earnings per share (in EURO)	0.61	0.09	0.86	0.43

Consolidated Cash Flow Statement for the period 1 January to 30 September 2014

	01 Jan. 2014 - 30 Sept. 2014	01 Jan. 2013 - 30 Sept. 2013
	KEUR	KEUR
Group operating results before taxes on income	**34,062**	**11,198**
Adjustments for		
Financial expenses	16,117	2,747
Financial income	-86	-22
Depreciations (+) / write-ups (-) on fixed assets	77	73
Profit (-) / loss (+) from the valuation of investment properties	-42,527	-9,480
Profit (-) from acquisition of subsidiaries	-101	0
Profit (-) from sales of subsidiaries	-381	0
Loss (+) / profit (-) from associated companies	0	94
Personnel expenses from share option programme (+)	127	75
Increase (+) / reduction (-) in provisions	-24	-24
Increase (-) / reduction (+) in other assets	-6,664	-3,869
Increase (+) / reduction (-) in other liabilities	6,984	3,421
Interest paid (-)	-5,486	-3,048
Interest received (+)	86	22
Received (+) / paid (-) taxes	-9	-26
Cash-flow from operating activities	**2,175**	**1,161**
Cash inflows from sales of investment properties (+)	0	226
Cash outflows for investments in the property, plant and equipment (-)	-291,149	-61,501
Cash inflows from the sale of company shares minus liquid funds (+)	249	0
Cash inflows from dividends	0	9
Cash outflows for the acquisition of company shares minus acquired liquid funds (-)	-25	-268
Cash-flow from the investing activity	**290,925**	**-61,534**
Increase (+) in bank liabilities	218,383	51,845
Reduction (-) in bank liabilities	-53,085	-1,013
Increase (+) / reduction (-) in financing liabilities	19,063	4,683
Cash outflows for the funding of debts (-)	-9,523	-1,407
Cash inflows from capital increases, less transaction costs (+)	143,254	5,523
Cash-flow from financing activity	**318,092**	**59,631**
Changes in cash and cash equivalents	29,342	-742
Cash and cash equivalent at the beginning of the period	4,024	5,445
Reclassification of assets held for sale	483	0
Cash and cash equivalents at the end of the period	**33,849**	**4,703**
Thereof not freely disposable	14,311	2,157
Cash and cash equivalents at the end of the period (disposable)	**19,538**	**2,546**

Consolidated Statement of Changes in Equity for the period 1 January to 30 September 2014

	Subscribed capital	Capital reserves	Other comprehensive income	Profit carried-forward	Shares of minority shareholders	Period results	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance on 01 Jan. 2013	**18,681,517.00**	**8,210,360.17**	**0.00**	**17,270,812.01**	**225,127.73**	**4,315,373.94**	**48,703,190.85**
Appropriation of profits 2012	0.00	0.00	0.00	4,315,373.94	0.00	-4,315,373.94	0.00
Change in stock option programme	0.00	116,532.90	0.00	0.00	0.00	0.00	116,532.90
Cash capital increase	1,868,150.00	3,754,981.50	0.00	0.00	0.00	0.00	5,623,131.50
Costs of cash capital increase	0.00	-89,162.98	0.00	0.00	0.00	0.00	-89,162.98
Capital increase in kind	1,200,000.00	2,400,000.00	0.00	0.00	0.00	0.00	3,600,000.00
Capital increase from corporate funds	2,174,966.00	-2,174,966.00	0.00	0.00	0.00	0.00	0.00
Exercising of stock options	165,000.00	92,400.00	0.00	0.00	0.00	0.00	257,400.00
Increase in minority shares	0.00	0.00	0.00	0.00	39,589.82	0.00	39,589.82
Redemption of own shares	-7.00	-32.73	0.00	0.00	0.00	0.00	-39.73
Other results of the fiscal year	0.00	0.00	-21,826.43	0.00	-67.87	0.00	-21,894.30
Consolidated net income for the year	0.00	0.00	0.00	0.00	67,783.76	17,801,280.99	17,869,064.75
Balance on 31 Dec. 2013	**24,089,626.00**	**12,310,112.86**	**-21,826.43**	**21,586,185.95**	**332,433.44**	**17,801,280.99**	**76,097,812.81**
Balance on 01 Jan. 2014	**24,089,626.00**	**12,310,112.86**	**-21,826.43**	**21,586,185.95**	**332,433.44**	**17,801,280.99**	**76,097,812.81**
Appropriation of profits 2013	0.00	0.00	0.00	17,801,280.99	0.00	-17,801,280.99	0.00
Change in stock option programme	0.00	126,515.46	0.00	0.00	0.00	0.00	126,515.46
Cash capital increase	2,392.374.00	5,741,697.60	0.00	0.00	0.00	0.00	8,134,071.60
Capital increases in kind	3,628,368.00	8,708,084.60	0.00	0.00	0.00	0.00	12,336,452.60
Costs of capital increase	0.00	-8,472,149.03	0.00	0.00	0.00	0.00	-8,472,149.03
Increase in minority shares	0.00	0.00	0.00	0.00	512,986.33	0.00	512,986.33
Acquisition of treasury shares	-8.00	0.00	0.00	0.00	0.00	0.00	-8.00
Capital increase from corporate funds	3,011,036.00	-3,011,036.00	0.00	0.00	0.00	0.00	0.00
Capital increase from the conversion of bonds	618,827.00	1,431,297.00	0.00	0.00	0.00	0.00	2,050,124.00
Cash capital increase 9/2014	39,999,990.00	99,999,975.00	0.00	0.00	0.00	0.00	139,999,965.00
Exercising of stock options	150,000.00	6,000.00	0.00	0.00	0.00	0.00	156,000.00
Other comprehensive result 1.1. – 30.9.2014	0.00	0.00	-2,719,059.98	0.00	0.00	0.00	-2,719,059.98
Consolidated net income 1.1. – 30.9.2014	0.00	0.00	0.00	0.00	170,081.94	28,302,933.23	28,473,015.17
Balance on 30 September 2014	**73,890,213.00**	**116,840,497.49**	**-2,740,866.41**	**39,387,466.94**	**1,015,501.71**	**28,302,933.23**	**256,695,725.96**

WESTGRUND Aktiengesellschaft, Berlin

Selected Explanatory Notes on the Consolidated Interim Financial Statements as of 30 September 2014

A. General

The interim financial report of WESTGRUND AG for the first nine months of the fiscal year 2014 includes condensed consolidated interim financial statements and an interim group management report in accordance with the provisions of section 37x (3) and 37w (2) - (4) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act] in conjunction with section 37y WpHG. The consolidated financial statements were prepared in accordance with the provisions of the International Financial Reporting Standards (IFRSs) for interim financial reporting. The interim group management report was prepared in accordance with the relevant provisions of the German Securities Trading Act.

The only substantial reporting segment is that of "real estate management". Therefore, segment reporting has been dispensed with.

B. Basis of Accounting

The consolidated interim financial statements have been prepared in accordance with section 315a HGB ["Handelsgesetzbuch": German Commercial Code] and IFRSs, as adopted by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The consolidation principles and accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the following new or revised standards effective as of 1 January 2014:

- IAS 28: The new version of IAS 28 "Investments in Associates and Joint Ventures" regulates the inclusion of shares in associates and joint ventures using the equity method.
- IAS 32: In December 2011, the IASB published amendments to IAS 32 "Financial Instruments: Presentation". The amendments shall clarify the requirements for the offsetting of financial instruments and correct inconsistencies in current practice of offsetting financial assets and financial liabilities.
- IAS 36: In May 2013, the IASB published amendments to IAS 36 "Impairment of Assets". When developing IFRS 13 "Fair Value Measurement", the IASB decided to amend IAS 36 to require disclosures about the recoverable amount of impaired assets. The amendments published clarify the IASB's original intention: that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.
- IAS 39: In June 2013, the IASB issued "Novation of Derivatives and Continuation of Hedge Accounting," an amendment to IAS 39 (Financial Instruments: Recognition and Measurement). The amendment introduces new rules for continuing an existing hedge accounting relationship using a novated derivative. A novation occurs when the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. The new rules enable a derivative to remain a hedging instrument in a continuing hedge accounting relationship despite its novation if certain criteria are met.
- IFRS 10: In May 2011, the IASB published IFRS 10 "Consolidated Financial Statements". IFRS 10 provides a consistent definition of control and therefore a consistent basis for the existence of control and the determination of the entities that should be included in the consolidated financial statements of the parent company. The new standard replaces the guidance in IAS 27 and SIC-12 that was previously applicable in this respect.
- IFRS 11: In May 2011, the IASB published IFRS 11 "Joint Arrangements". IFRS 11 regulates the accounting of Joint Ventures and Joint Operations. The new standard replaces the regulations IAS 31 and SIC-13, which previously regulated the accounting of Joint Ventures.

- IFRS 12: In May 2011, the IASB published IFRS 12 “Disclosure of Interests in Other Entities”. IFRS 12 provides guidance on disclosure requirements for all forms of interests in other entities in consolidated financial statements.
- In October 2012, under the title “Investment Entities,” the IASB issued amendments to IFRS 10, IFRS 12 and IAS 27 for investment entities. Such entities are to be exempted from the requirement to consolidate certain subsidiaries according to IFRS 10. Instead, they must recognize them at fair value through profit or loss. IFRS 12 introduces additional disclosure requirements for investment entities.

The amendments did not have any effects on the Group´s net assets, financial position and results of operations.

The provisions of IAS 34, “Interim Financial Reporting”, have been applied. The interim financial statements as of 30 September 2014 should be read in conjunction with the consolidated financial statements as of 31 December 2013.

The preparation of consolidated interim financial statements in accordance with IFRSs requires management to make estimates and assumptions which have an effect on the amount of recognised assets and liabilities, income and expenses and contingent liabilities. Actual amounts may differ from these estimates.

C. Group of consolidated companies

In addition to WESTGRUND AG, all companies are included in the group of consolidated companies, by which WESTGRUND has directly or indirectly the possibility to determine the business and financial policies in order to draw benefits from the business activities of these companies (subsidiaries).

The group of consolidated companies, along with the proportion of shares held, as of 30 September 2014 is as follows:

1	WESTGRUND AG, Berlin		
2	Westconcept GmbH, Berlin	100%	
3	IMMOLETO Gesellschaft mit beschränkter Haftung GmbH, Berlin	100%	
4	ICR Idee Concept und Realisation von Immobilienvorhaben GmbH, Berlin	94.9%	Indirect participation
5	HKA Grundstücksverwaltungsgesellschaft mbH & Co. Kommanditgesellschaft, Berlin	94.9%	Indirect participation
6	HKA Verwaltungsgesellschaft mbH, Berlin	94.9%	Indirect participation
7	Westgrund Immobilien GmbH & Co. KG, Berlin	100%	
8	Westgrund Immobilien Beteiligung GmbH, Berlin	100%	
9	Westgrund Immobilien II. GmbH & Co. KG, Berlin	100%	
10	Westgrund Immobilien Beteiligung II. GmbH, Berlin	100%	
11	Westgrund Immobilien Beteiligung III. GmbH, Berlin	100%	
12	Westgrund Westfalen Verwaltungsgesellschaft mbH, Wesseling	89.2%	Indirect participation
13	Westgrund Westfalen GmbH & Co. KG, Berlin	94.6%	Indirect participation
14	WESTGRUND Immobilien Beteiligung IV. GmbH, Berlin	100%	
15	WESTGRUND Immobilien Beteiligung V. GmbH, Berlin	94.0%	
16	WESTGRUND Immobilien Beteiligung VI. GmbH, Berlin	100%	
17	Wiederaufbau-Gesellschaft mit beschränkter Haftung, Ludwigshafen am Rhein	99.7%	4.9% as indirect participation
18	TREUHAUS Hausbetreuungs-GmbH, Ludwigshafen am Rhein	99.7%	Indirect participation
19	WAB Hausverwaltungsgesellschaft mbH, Ludwigshafen am Rhein	99.7%	Indirect participation
20	Liaen Lorentzen Partners AG, Zug/Switzerland	94.0%	
21	Westgrund Wolfsburg GmbH, Berlin	100%	

22	Westgrund Niedersachsen Süd GmbH, Berlin	100%	
23	Westgrund Niedersachsen Nord GmbH, Berlin	100%	
24	Westgrund Brandenburg GmbH, Berlin	100%	
25	Westgrund VII. GmbH, Berlin	100%	
26	WAG Görlitz GmbH, Berlin	100%	
27	WAG Neubrandenburg GmbH, Berlin	100%	
28	Westgrund I. Halle GmbH, Berlin	94.9%	
29	Westgrund Halle Immobilienverwaltung GmbH, Berlin	94.9%	Indirect participation
30	Westgrund Immobilien II. Halle GmbH & Co. KG, Berlin	94.9%	Indirect participation

The companies listed from number 21 were founded or acquired in the first nine months of fiscal year 2014 and included in the consolidated financial statements for the first time.

The subsidiaries 21 to 27 were acquired at a purchase price of KEUR 27 plus acquisition related costs of KEUR 2 and hold liquid funds of KEUR 25 each. As a result of initial consolidation, positive effects of KEUR 4 each have been effectively recorded in the profit and loss statement.

In June 2014, the subsidiaries 28 to 30 were acquired by way of a capital increase in kind of the WESTGRUND AG. The purchase price of the 94.9% of the shares in Westgrund I. Halle GmbH (formerly: Brilliant 2000 GmbH), which holds 100% of the shares in Westgrund Halle Immobilienverwaltung GmbH (formerly: Brilliant 1816. GmbH) and in Westgrund Immobilien II. Halle GmbH & Co. KG (formerly: Brilliant 1816. GmbH & Co. Immobilienverwaltung KG), was EUR 9,433,060 and was completely settled by the issuing of 2,774,429 new shares of WESTGRUND AG at a share price of EUR 3.40. Westgrund I. Halle GmbH together with its subsidiaries dispose of the following assets and liabilities at the time of registration of the capital increase in kind in the commercial register on 12 June 2014 (transfer date):

	Fair value KEUR	Book value KEUR
Investment properties	29,420	25,840
Services not yet settled	262	262
Cash and cash equivalents	7	7
Other assets	209	209
Deferred tax liabilities	923	923
Liabilities due to banks	18,486	18,486
Advanced payments received	403	403
Other liabilities (current)	28	28
Minority interest	512	
Net assets	9,546	

The purchase price allocation for the first-time consolidation was carried out based on available evidence and information available as of the balance sheet date. The fair value of the investment properties was determined on the basis of an appraisal of an independent expert. The first-time consolidation led to a negative difference in the amount of KEUR 101 which was directly recorded in the profit and loss statement and disclosed in a separate line. The pro forma result for the period from 1 January 2014 until 12 June 2014 amounted to KEUR -396.

There were no further share purchases or newly formed companies in the first nine months of the year 2014.

D. Explanations on the balance sheet

a) Fair values of the investment properties

With a few exceptions, all investment properties of the group are intended to be held on a long-term basis to generate rental income and for the purpose of increasing values. On 30 June 2014, the investment properties were completely measured at fair value according to IAS 40. As of 30 September 2014, there were no evidences for significant changes of the fair values of the investment properties which were already recorded on 30 June 2014.

Regarding the properties acquired during the third quarter, a comprehensive determination of the fair values as of 30 September 2014 was carried out by an external expert.

The DCF valuation as of 30 September 2014 is based on the following significant, property-specific, individualized assumptions:

Regular maintenance: (EUR / sqm):	EUR 5.00 - EUR 11.50 p.a.
Administration costs:	EUR 240 - 300/ unit p.a.
Tenant fluctuation:	5% - 12% p.a.
Discount rate:	5.25% - 7.25% (commercial real estate up to 10 %)
Capitalisation rate:	4.15% - 9.5% (commercial real estate up to 9.5%)
Transaction costs discount:	6.0% - 9.5%

Since 31 December 2013, the investment properties developed as follows:

	30 Sept. 2014 KEUR	31 Dec. 2013 KEUR
Carry-forward 1. Jan.	**230,655**	**135,453**
Additions/Disposals	308,275	74,989
Changes in fair value		
Profits from changes in fair value	43,094	21,125
Losses from changes in fair value	-567	-912
Balance as of 30 Sept./ 31 Dec.	**581,457**	**230,655**

b) Deferred tax assets and liabilities

Deferred taxes are recorded in accordance with IAS 12 for all temporary difference in the tax book values and the IFRS values and on consolidation effects which have an impact on profit and loss. Deferred tax assets on benefits from unused tax losses carried forward are to be capitalised to the extent that it can be expected with sufficient probability that the company can generate sufficient future taxable income.

The deferred tax rate is 30.2% as in prior years‘ period (15% corporate tax and solidarity surcharge levied at 5.5% of corporate tax assessment levels, plus 14.35% trade tax).

c) Services not yet settled

At the balance sheet date, prepayments on apportionable operating expenses amounted to EUR 14.0 million. Impairments were not recorded. The prepayments relate to the year 2014 and to operating expenses of the year 2013 which have not yet settled with the tenants.

d) Properties intended for sale

The sale of the properties intended for sale is expected on a short-term basis. In contrast to the real estate portfolios classified as investment properties, the properties intended for sale mainly consist of individual apartments at the locations Hagen and Remscheid, which should not be kept in long-term.

e) Work in progress

Reported under work in progress is the last project that is currently still being developed. Owing to the length of the project development phase, the value of the undeveloped real estate as of the balance sheet date is calculated as the value of the land, excluding future contributions to operating results.

f) Cash on hand and at banks

As of 30 September 2014, cash and cash equivalents amount to EUR 33.8 million of which EUR 14.3 million are not freely available. The change in cash and cash equivalents compared to 31 December 2013 is shown in the cash flow statement of the first nine months of fiscal year 2014 which is a separate part of these interim financial statements.

The cash capital increase carried out in March 2014 led to a cash inflow of approx. EUR 7.9 million after deduction of cost relating to the cash capital increase. The capital increase carried out in September 2014 in connection with the acquisition of the Berlinovo-Portfolio led to a net cash inflow of EUR 131.5 million.

Furthermore, the convertible bond (2014/2016) issued in April 2014 led to a cash inflow of EUR 19.2 million after deduction of cost.

g) Development of equity

The subscribed capital of WESTGRUND AG as of the balance sheet date is EUR 73,890,213.00 (31. December 2013: EUR 24,089,626.00). It is divided into 73,890,213 in no-par value shares with a nominal amount of EUR 1.00 each.

In March 2014 a capital increase was carried out, partially utilising the authorised capital while excluding the subscription rights of existing shareholders. The nominal capital of the company was increased by EUR 2,392,374.00 to EUR 26,482,000.00 by way of a cash capital increase. The issue price for the new shares was EUR 3.40.

In June 2014 a capital increase was carried out in connection with the acquisition of the portfolio Halle/Saale and a receivable of a shareholder was acquired through the issue of shares. In total, 3,628,368 bearer shares at an issue price of EUR 3.40 were issued. After that, the nominal capital of WESTGRUND AG amounted to EUR 30,110,368.00.

On 12 June 2014, WESTGRUND AG acquired eight treasury shares at a share price of EUR 3.75. The acquisition costs amounted to EUR 45.97.

At the Annual General Meeting on 13 June 2014 it was decided to increase the share capital of the Company, which is after registration of the capital reduction of EUR 8.00 in the commercial register of EUR 30,110,360.00, by EUR 3,011,036.00 to EUR 33,121,396.00 by a capital increase from company funds (withdrawal from the capital reserve). The capital increase is carried out by the issue of 3,011,036 new, no-par value bearer shares each with a notional value of the Company's share capital of EUR 1.00 per share. The new shares are available to shareholders in proportion to their shares in the former capital. The new shares carry dividend rights from the beginning of fiscal year 2014. The issuance of the new shares took place in July 2014.

In September 2014, the subscribed capital of the Company was increased through the issuing of 39,999,990 bearer shares at an issue price of EUR 3.50 by EUR 39,999,990.00. Furthermore, 618,827 bearer shares were issued from the conversion of convertible bonds and 150,000 stock options were exercised in September 2014. The subscribed capital accordingly increased to EUR 73,890,213.00.

The calculation of the undiluted earnings per share in the first nine months of fiscal year 2014 was based on 29,921,822 shares and the diluted earnings per share on 33,410,918. The undiluted earnings per share was EUR 0.95 and the diluted earnings per share EUR 0.86.

The development of equity in the first nine months of fiscal year 2014 and the corresponding prior years' figure are presented in the statement of changes in equity which is a separate part of these interim financial statements. At the balance sheet date the equity ratio of the group amounted to 39.6%.

The Net Asset Value (EPRA) has developed as follows in the first nine months of fiscal year 2014:

	30 Sept. 2014	**31 Dec 2013**
	KEUR	**KEUR**
Total equity without minorities (IFRS)	255,680	75,766
(+) deferred taxes	14,179	9,791
(+) derivatives	5,861	951
NAV	**275,720**	**86,508**
NAV in EUR / share (undiluted)	**3.73**	**3.59**

The diluted NAV as of 30 September 2014 amounts to EUR 3.68.

The cash inflows from the cash capital increase in September 2014 were used for the financing of the acquisition of the Berlinovo-portfolio. As of 30 September 2014, the transfer of ownership took place for approximately 53% of the portfolio. Taking into consideration the remaining properties of the Berlinovo-portfolio which will be transferred approximately in the fourth quarter of 2014, the NAV would amount to EUR 303.0 million as of 30 September 2014 and the undiluted NAV per share to EUR 4.10 using the unchanged number of shares. The diluted NAV would amount to EUR 4.03.

h) Liabilities due to banks

Liabilities due to banks are predominantly associated with real estate holdings and as of 30 September 2014 to 63.8% long-term nature. A portion in the amount of EUR 119.2 million results from the short-term acquisition financing of the Berlinovo-portfolio. It is expected to finalise the negotiations with the banks regarding the long-term financing of the Berlinovo-portfolio by the end of fiscal year 2014.

From the non-current liabilities due to banks EUR 17.4 million have a remaining time to maturity of more than one and less than five years and EUR 178.8 million have a remaining time to maturity of more than five years.

i) Derivatives

In the course of the long-term refinancing of short-term liabilities two interest rate swaps with remaining terms till 2015/2018 were settled. Simultaneously with the signing of the new financing contracts new interest rate swaps were closed leading to the result that the long-term liabilities to banks are synthetic fixed interest rate liabilities.

The changes in value of the interest rate swaps for the first half-year 2014 amounting to EUR -1.7 million were recorded with impact to the profit and loss statement and disclosed within the interest and similar expenses.

Since 1 July 2014, the hedging relationships between the closed interest rate swaps and the hedged interest payments resulting from the refinanced liabilities to banks are effective in the sense of IAS 39.This is also the case for the hedging instruments closed in July 2014 with a volume of EUR 41.7 million. Therefore, the changes in value of the interest rate swaps in the third quarter 2014 in the amount of EUR -3.2 million are recorded in the other comprehensive result.

j) Convertible Bond

In beginning of April 2014, a mandatory convertible bond amounting to EUR 19,860,000 (convertible bond 2014/2016; ISIN DE000A11QPV2; WKN A11QPV) was offered to subscribe to institutional investors in a private placement without premium. The convertible bond was issued on 23 April 2014 and has a term until 22 April 2016. Due to high demand in the private placement, the convertible bond was fully placed and bears interest of 5% p.a. on their principal amount. The historical conversion price is EUR 3.70 for a share (after the issue of bonus shares in July EUR 3.36 and after the cash capital increase in September 2014 EUR 3.14). The cost of the bond issue will be deducted from the nominal amount of the bond and amortized over the term of the bond with effect on the profit and loss.

k) Non-current assets held for sale and their associated liabilities

Non-current assets held for sale and their associated liabilities recorded as of 31 December 2013 have been sold in January 2014 by the way of a share deal resulting in a deconsolidation profit of KEUR 381.

As part of the acquisition of the Berlinovo-portfolio, properties were acquired until 30 September 2014 which will be sold in a short-term. The funds resulting from these re-sales will be firstly used to repay the bank liabilities from the acquisition financing.

l) Disclosures on fair values and financial instruments

For WESTGRUND Group following hierarchy in accordance with IFRS 13 is used for the determination and reporting of the fair values of financial instruments for each valuation method:

Level 1: Quoted (non-adjusted) prices on active markets for equivalent assets or liabilities.

Level 2: Market price quotations that are to be observed either directly or indirectly for the asset or the debt not stated at Level 1.

Level 3: Methods using input parameters that have a substantial effect on the reported fair value and where these input parameters are not based on observable market data.

The fair values of the assets and liabilities in the consolidated balance sheet break down as follows:

	Fair Value hierarchy	**30 Sept. 2014 KEUR**	**31 Dec. 2013 KEUR**
Assets			
Investment properties	Level 3	581,457	230,655
Liabilities			
Derivatives	Level 2	5,861	951
Provisions for pensions	Level 3	73	97

In addition, the following financial instruments are measured at amortised cost in the consolidated financial statements:

		Book value		Fair Value	
		30 Sept. 2014	31 Dec. 2013	30 Sept. 2014	31 Dec. 2013
		KEUR	KEUR	KEUR	KEUR
Financial assets					
Security investments	(3)	28	28	28	28
Reinsurance	(4)	167	167	167	167
Cash and cash equivalents	(3)	33,849	4,024	33,849	4,024
Receivables and other assets	(1)	1,770	1,256	1,770	1,256
Non-current receivables	(4)	94	94	94	94
Financial liabilities					
Bank liabilities	(2)	307,423	136,041	306,625	135,153
Trade liabilities	(2)	2,143	1,002	2,143	1,002
Other liabilities	(2)	25,463	11,080	25,463	11,080
Leasing liabilities	(5)	4,731	4,740	4,731	4,740

Category according to IAS 39:
(1) Loans and receivables
(2) Liabilities accounted at amortised acquisition costs
(3) Financial Assets Available for Sale
(4) Assets Held to Maturity
(5) Liabilities from finance leasing

E. Other disclosures

a) Acquisition and sale of treasury shares

In the Annual General Meeting on 24 August 2012 the Company was authorised, in accordance with section 71 para. 1 No. 8 AktG (German Stock Corporation Act), to acquire its own shares up to an amount representing 10% of the equity capital by 23 August 2017. In the first half-year 2014, the Company acquired eight own shares (0.0% of the subscribed capital) at a total purchase price plus fees of EUR 45.97. The treasury shares were redeemed in July 2014.

b) Related party transactions

The related parties of the Company include the Management Board and the members of the Supervisory Board as well as the shareholders and executive body members of subsidiaries, including their close family members, as well as those companies upon which the Management Board or the Supervisory Board members of the Company, or their close family members, can exert a controlling influence, or in which they have a substantial voting right share. In addition, the relating parties include those companies, in which the Company holds a participation that enables it to exert a controlling influence on the business policies of the holding company and the principal shareholders of the Company.

As of 31 December 2013, current liabilities amounting to KEUR 379 existed towards the minority shareholders of Cologne Real Estate GmbH, on which interest was paid at customary market rates. Cologne Real Estate GmbH was sold in January 2014 so that the liabilities due to the minority shareholder no longer exist as of 30 September 2014.

In 2013 and as of 31 December 2013, WESTGRUND AG received working capital loans totalling EUR 4.1 million from significant shareholders and directly or indirectly related parties via a foreign corporation, which incur interest at customary market rates. The disclosure as of the year-end was made under other liabilities. The liabilities were completely repaid in the first half-year 2014. Thereby a receivable of a shareholder against Westgrund AG amounting to EUR 2.9 million was put into Westgrund AG by capital increase by way of contribution in kind. 853,939 shares with a price of EUR 3.40 have been issued.

As of 31 December 2013, a current loan receivable of KEUR 123 existed against the Management Board (loan to executive bodies in accordance with to section 89 AktG) as a result of income tax to be settled by WESTGRUND AG, resulting from the exercising of stock options in December 2013. This was a short-term loan that was fully settled in the first quarter of 2014.

In January 2014, WESTGRUND AG closed the acquisition of a residential real estate portfolio with a total of 803 housing units in Halle / Saale executed as a share deal from a shareholder and a third party at a purchase price of EUR 9.4 million in accordance with normal market practice. The execution of the transaction by way of a capital increase in kind with the issue of 2,774,429 shares at a share-issuing price of EUR 3.40 was carried out in June 2014.

In May 2014, real estate in Leipzig was acquired at reasonable conditions with a value of EUR 2.7 million from a shareholder and a company related to this shareholder.

In July 2014, WESTGRUND AG received a working capital loan totaling EUR 8.2 million from a foreign company which is related to a significant shareholder. The loan incurs interest at customary market rates. The loan was completely repaid in the third quarter 2014.

The intended re-sale of 1,300 units out of the Berlinovo-Portfolio with approx. 13,300 units in total notarized in July 2014 is made to FFIRE Immobilienverwaltung AG, Berlin, at customary market conditions. The chief executive officer of FFIRE Immobilienverwaltung AG is member of the supervisory board of Westgrund AG.

In the course of the cash capital increase in September 2014 some of the existing shareholders and related persons of them signed an underwriting agreement regarding the new shares for a compensation usual in the market. Furthermore the existing shareholders and related persons of them placed some of the new shares for a compensation usual in the market.

Members of the Management Board are employed on contracts with reasonable terms of compensation.

No further business transactions with related parties in accordance with IAS 24 were conducted in the first nine months of fiscal year 2014.

c) Contingent liabilities, other financial liabilities and transactions not included in the balance sheet

As in the prior year, no contingent liabilities and other financial liabilities of significance in assessing the company‘s financial position are to be noted as of 30 September 2014.

Berlin, 10 November 2014

Management Board

signed Arndt Krienen signed Sascha Giest

WESTGRUND Aktiengesellschaft, Berlin

Interim Group Management Report for the first nine month of fiscal year 2014

A. General

WESTGRUND AG is the parent company of the WESTGRUND Group, which comprises a total of 30 companies as of 30 September 2014. The focus of the activities of the WESTGRUND Group is placed on the acquisition and management of German residential real estate.

B. Explanations on the results of operations

In the first nine months of fiscal year 2014, WESTGRUND group generated revenues of EUR 16.3 million against EUR 10.6 million in the comparable period last year. Revenues include rental income of EUR 16.0 million (previous year: EUR 10.5 million) and sales of apartments and other revenues of EUR 0.3 million (previous year: EUR 0.1 million). Compared to the previous year, the rental income has significantly increased, which is the result of extensive expansion of the property portfolio. The effects of purchases during 2013, are the first time completely considered in the financials, so that can also be expected for the year with a significant increase in rental income over the previous year. Rental income from the Berlinovo-portfolio is not included in the revenues of the nine-months-period ended 30 September 2014, as the transfer of ownership took place on 30 September 2014 or later.

Gross profit (revenues plus changes in inventories minus cost of material) amounted to EUR 10.8 million in the first nine months of fiscal year 2014 after EUR 7.0 million in the comparable period last year. The occupancy rate across the whole residential portfolio remains at a constantly high level.

Sales of properties which are recorded as current assets led to an accounting profit of KEUR 150 as well as costs of sales of KEUR 16. Sales of investment properties were not made in the first nine months of fiscal year 2014.

The interest result contains the interim financing costs of the newly acquired Berlinovo-portfolio of EUR 8.7 million, expenses of the valuation of interest rate swaps of EUR 1.7 million and expenses of accrued financing costs of EUR 0.5 million.

The result before tax was positive with EUR 34.1 million (prior year: EUR 11.2 million) in which in particular the gains from the fair valuation of investment properties amounting to EUR 42.5 million (previous year: EUR 9.5 million) and losses from the fair value of interest rate swaps amounting to EUR -1.7 million (previous year: profit of EUR 0.3 million) are included. Consolidated net result after tax including all valuation effects amounted to EUR 28.5 million in the first nine months of fiscal year 2014 after EUR 9.1 million in the prior year. The other comprehensive result amounted to EUR -2.7 million in the first nine months of fiscal year 2014. Undiluted earnings per share according to IAS 33 amounts EUR 0.95 in the first nine months of fiscal year 2014 (prior year: EUR 0.44) and the diluted earnings per share according to IAS 33 to EUR 0.86 (prior year: EUR 0.43).

The operating result (FFO) developed in the first nine months of fiscal year 2014 as follows:

	KEUR
Consolidated net result of the period (IFRS)	28,303
(+) Financial result	16,031
(+) Taxes on income	5,588
EBIT	**49,922**
(+) Depreciation	77
EBITDA	**49,999**
(-) Valuation of investment properties	-42,527
(-) Profit from the sale of properties	-515
(-) Profit from first-time consolidation	-101
(+) Expenses resulting from stock options	127
Adjusted EBITDA	**6,983**
Financial result (FFO)	-5,233
Taxes on income	-9
FFO I	**1,741**
(+) Profit from the sale of properties	515
FFO II	**2,256**
Number of shares (undiluted)	29,921,822
Number of shares (diluted)	33,410,918
FFO I in EUR per share (undiluted)	0.06
FFO I in EUR per share (diluted)	0.05
FFO II in EUR per share (undiluted)	0.08
FFO II in EUR per share (diluted)	0.07

C. Explanations on the net assets and financial position

The net assets and financial position is characterized by an increase of the total assets from EUR 247.4 million at 31 December 2013 to EUR 648.1 million as of 30 September 2014 as a result of the completed acquisition of large property portfolios. Until 30 September 2014, properties with a fair value of EUR 253.8 million from the Berlinovo-portfolio were taken over and correspondingly disclosed as investment properties. The acquisitions of the investment properties were financed by increasing liabilities due to banks, the issuing of convertible bonds as well as the capital increase in the way of cash capital increases and capital increases in kind.

The operating cash flow of the WESTGRUND group for the first nine months of fiscal year 2014 was EUR 2.2 million after EUR 1.2 million in the comparable period of prior year. The positive cash flow effects based on the increase in gross profit are also reflected in the operating cash flow.

D. Report on opportunities and risk

The risk policy of the Group is still affected by the pursuit of sustainable growth and an increase in shareholder value. The risk management system of the WESTGRUND group is aimed that the company's management identify key risks at an early stage and to initiate countermeasures. The risk management system is an integral part of the overall planning, control and reporting process in all divisions. It targets the systematic identification, assessment, monitoring and documentation of risks. Under consideration of defined risk categories, the management identifies risks of the business divisions and monitors these risks in terms of their probability of occurrence and damage potential.

Risk management is an integral part of the planning and execution of the business strategies of the Group, so that the risk management policy is set by the Board members. At regular intervals the adequacy and effectiveness of risk management and associated control systems is reviewed by the Management Board and adjusted accordingly.

Compared to the risk report in the Group management report 2013 prompted by the Board's assessment of the risks referred to therein has remained essentially unchanged:

- Acquisition risk,
- Economic and financial market risks,
- Rental and non-payment risks,
- Financing and liquidity risks,
- Dependency on key personnel and internal growth management.

There are unchanged no risks that pose a danger to the Company or Group’s existence until the time of preparation of this interim financial report.

E. Report on expected developments – Outlook for the fourth quarter 2014

The excellent business development in the first nine months of fiscal year 2014 has taken place within a solid macroeconomic environment. As well motivated by the another reduction of the interest rate by the European Central Bank a further good development of the real estate markets is assumed.

One milestone for the future development of WESTGRUND group is the notarized acquisition of 13,300 (Berlinovo-portfolio) residential units in July 2014 whereof 1,300 units shall be resold on short notice. For 400 units, which were intended to be bought by WESTGRUND group, pre-emption rights have been exercised. Therefore, it is currently expected that WESTGRUND group acquires approx. 11,600 units. As of 30 September 2014, the transfer of 6,261 units (54%) into the Westgrund group took place, which led to a valuation profit of EUR 34.7 million. The take-over of the remaining units of the Berlinovo-Portfolio is expected to be until the year end. It is expected that the remaining units will lead to valuation profits of approx. EUR 27 million.

The core portfolio without the units intended to be resold comprises 11,600 residential units and 63 commercial units at the locations Lower Saxony, Brandenburg, Mecklenburg-West Pomerania and Saxony. Therefore the housing stock of WESTGRUND group will almost tripled. The net purchase price for this core portfolio amounts to about EUR 370 million. Subsequent to the integration of the core portfolio into WESTGRUND group it is assumed that the newly acquired real estate will materially contribute by positive valuation effects to the group result 2014.

The necessary equity for the closing of the acquisitions has been raised by a subscription offer in the amount of EUR 140.0 million in the September 2014.

The German residential real estate market is still in a very fine fettle where regional market differentiation is still accelerating. Core part of the group strategy is still the buildup of high quality housing stock in Germany. In fiscal year 2014 rapid progresses were made. The real estate portfolio was expanded from EUR 135 million at the end of 2012 to EUR 581.5 million as of 30 September 2014. Currently it is assumed that after the full integration Berlinovo-portfolio the total value of the investment property portfolio will amount to about EUR 780 million.

In this environment of rising prices it depends on whether the acquired real estate is properly managed as well as making the right decisions in connection with further acquisitions of real estate portfolios to create further high quality growth. WESTGRUND group could benefit from the still good economic environment so far.

Relevant for the positive acquisition decisions in 2013 and 2014 were especially the respective development potential of the real estate and its price. Furthermore all acquired stocks convinced by low and significant increasable net rents compared to market level.

The situation on the international capital and financial markets was stable for the most part in the first nine months of fiscal year 2014 after the turbulences in the past. In this environment residential real estate is of stable value compared to other assets categories. If the debt crisis is going to accelerate again negative consequences on the real estate transaction markets could probably not be avoided. Positive for the real estate markets should be the still low mid-term and long-term interests.

For the group result of the whole year especially the effects from the valuation of investment properties are important. For this purpose, the already in 2014 acquired properties play an essential role. Under the condition of further stable conditions on the real estate and financial markets, we currently assume that due to the positive result of the first nine months of fiscal year 2014 and the already realized and planned measures in the current fiscal year the forecast in the group management report 2013 will be positively changed.

F. Supplementary report

In October 2014, further units of the Berlinovo-portfolio have been taken-over as planned. The completion of the Berlinovo-portfolio is on schedule and will be presumable completed by the end of 2014. For further details reference is made to section E. Report on expected developments – Outlook for the fourth quarter 2014.

After the end of the interim reporting period, no further significant, reportable events occured.

Berlin, 10 November 2014

Management Board

signed Arndt Krienen   signed Sascha Giest

Review Report

to WESTGRUND Aktiengesellschaft, Berlin

We have reviewed the condensed interim consolidated financial statement comprising the consolidated statement of income, comprehensive income, financial position, cash flow and changes in equity, and notes to the condensed interim consolidated financial statements, and the interim group management report, of WESTGRUND Aktiengesellschaft, Berlin for the period from January 1, 2014 to September 30, 2014 which are part of the interim financial report pursuant to Sec. 37x in conjunction with Sec. 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with IFRS applicable to the interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statement and the interim group management in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed a financial statement audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the condensed interim financial statement is not prepared, in all material respects, in accordance with IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Cologne, November 17, 2014

DHPG AUDIT GMBH
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

(Schaidinger)	(Güntgen)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)