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# VIB Vermögen AG

Annual Report 2005



## Annual Report 2005

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**A To our shareholders****1 Group results at a glance**

<b>Group key data (HGB: German accounting system) in € thousand</b>	<b>2005</b>	<b>2004</b>	<b>Δ %</b>
Net revenues	7,932	5,433	+ 46.0 %
EBIT	3,724	2,459	+ 51.5 %
EBIT margin	47.0 %	45.3 %	-
Income before taxes (EBT)*	1,806	1,317	+ 37.1 %
Group net income	92	954	(90.4) %
Cash flow*	3,409	2,405	+41.8 %
Balance sheet profit of the AG	588	700	(16.0) %
Equity	45,070	14,777	+205.0 %
Equity ratio	42.8 %	27.0 %	-
Net debt	37,214	33,622	+10.7 %
Debt to equity ratio	130 %	273 %	-
Net Asset Value as at 2 <sup>nd</sup> January 2006 (NAV)**	78,170	35,770	+118.5 %
NAV per share as at 2 <sup>nd</sup> January 2006***	7.98 €	8.09 €	(1.4) %
Earnings per share, basic***	0.35 €	0.21 €	-
Earnings per share, diluted***	0.18 €	0.20 €	-
Dividend per share****	0.06 €	0.165 €	(63.6) %
Net interest expense to net rental income	29.9 %	24.8 %	-

\* 2005 adjusted by IPO costs

\*\* in accordance with auditors' report

\*\*\* Figures for 2004 taking into account the 2:1 stock split in 2005

\*\*\*\* Recommendation of the administration; figures for 2004 taking into account the 2:1 stock split in 2005



## 2 Letter to the shareholders

Dear Shareholders,

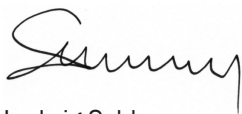
We look back on a most successful financial year 2005. Thanks to a clear focus on commercial real estate in Southern Germany, we have been able to take full advantage of the improved economic environment in this region. Target-oriented investments of over € 28 million in the financial year 2005 brought the net operating income up to € 7.93 million, an increase of 46% compared with the same period in the previous year. At the same time, the EBIT from operations, adjusted by the IPO costs, amounted to € 1.81 million (previous year € 1.32 million). The above-average rental yield of the real estate portfolio is reflected in this earning power.

The capital expenditures made by the VIB Group in the financial year 2005 were invested in a commercial property for trade and services in Aalen and also in acquiring office buildings in Großostheim that are rented to a renowned pharmaceutical company. Furthermore, the two new building projects – the DonauCityCenter (first construction phase) in Ingolstadt and the BurgerKing Restaurant on the A9 motorway at Schweitenkirchen – were successfully completed. At the same time, the existing stake in the Günzburg Commercial Park was increased by 75% to 87.5%, so that this will now be fully consolidated and the earning power of the VIB Vermögen AG will become even stronger. In addition, the TM AG & Co.KG, a company in which the VIB Vermögen AG had only been a stakeholder, was completely taken over, bringing three attractive properties into the VIB Vermögen AG.

The foundation stone for the positive development of our real estate holding company was laid in November 2005 at the time of the listing in the M:access market segment combined with a capital increase. In the current financial year we will be utilising the favourable interest rates for loan capital and making further lucrative investments with the new equity of almost € 30 million. Investing in a commercial estate in Memmingen at the beginning of 2006 was also in line with our high criteria for capital investments, which include a sustainable location, first-class standing of the respective tenant, and a rental return of at least 8% p.a. on the investment amount. The most recent investment made by our company was the acquisition of a 94.45% interest in the Bürgerliches Brauhaus Ingolstadt AG (BBI AG), likewise a listed company, for € 9.5 million from the Bayerische Landesbank. The BBI AG is particularly well-known as a traditional brewery for wheat beer from Ingolstadt under the brand name Herrnbräu. In addition to its interests in Herrnbräu, the BBI AG also has substantial real estate with land totalling 70,000 m<sup>2</sup> and floor space totalling 32,000 m<sup>2</sup>. In the meantime, our portfolio comprises over 40 properties with a rentable area of almost 200,000 m<sup>2</sup>.

We will achieve the targets we have set ourselves for the current financial year. These include increasing net operating income to over € 11 million and pre-tax profit to over €3 million. As such, we are well-positioned to sustain profitable growth and increase the Net Asset Value of the company to the benefit of our shareholders.

Yours sincerely



Ludwig Schlosser  
- Chief Executive Officer -



**A To our shareholders**

**3 Report of the Supervisory Board of the VIB Vermögen AG for the financial year 2005**

Dear Shareholders,

In the reporting year 2005, the Supervisory Board again carried out the duties and responsibilities assigned to it by law and by the articles of the company. We advised the CEO and monitored the management of business. There were a total of nine meetings of the Supervisory Board in the last financial year, at which the CEO presented the Supervisory Board with a comprehensive report on the business developments of the company. Moreover, important individual operations were discussed and, on account of either legislative provisions or the articles of the company, resolutions on proposed business or corporate action were passed, where necessary. Between the meetings, the CEO kept us informed on the current position of the business and other fundamental issues.

The Supervisory Board is very satisfied with the economic development of the VIB Vermögen AG and supports the CEO's strategy of focusing on the South German region for real estate investments. According to independent studies, the economic prospects for this region over the next few years are good and are also considerably above the average in Germany. As such, the Supervisory Board expects a further strengthening of the positive business development.

We approved the Annual Financial Statements drawn up by the CEO for the year ended 31<sup>st</sup> December 2005, with no one dissenting, in the meeting on 27<sup>th</sup> March 2006, which were thus established. The Supervisory Board agrees with the proposal made by the CEO with regard to the appropriation of earnings.

The resolution proposals for the agenda of the Annual General Meeting were approved at our meeting on 15<sup>th</sup> May 2006.

The Supervisory Board wishes to thank the CEO and the employees of the VIB Vermögen AG for all their hard work and successful contributions during the past year 2005.

Neuburg an der Donau, 15<sup>th</sup> May 2006

For the Supervisory Board



Franz-Xaver Schmidbauer  
- Chairman of the Supervisory Board -



**4 The VIB Vermögen AG share**

**a The share at a glance**

Securities Identification	245751
ISIN	DE0002457512
Branch	Real estate
Class of stock	Bearer stock
Number of shares outstanding	9,792,000 shares
Subscribed capital	9,792,000 €
Notional nominal value per share	1.00 €
Net Asset Value (NAV)* per share (2 <sup>nd</sup> Jan. 2006)	7.98 €
Accounted equity (group)	45,070,327 €
Earnings per share (group)	0.35 € basic 0.18 € diluted
Dividend per share**	0.06 €

\* Notes on NAV:  
The consolidated financial statements of the VIB Vermögen AG are based on the German accounting legislation HGB. This requires real estate in the balance sheet to be accounted as acquisition costs or respectively as production costs less annual depreciation. The VIB Vermögen AG employs an independent external auditor to calculate the NAV.

\*\* Proposal made by the administration

Development of share price



**A To our shareholders**

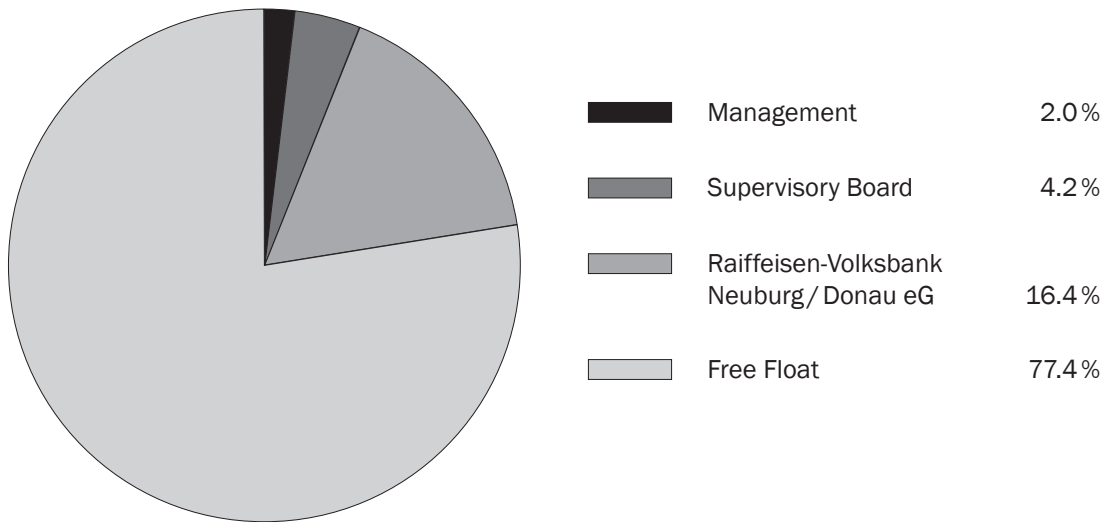
**4 The VIB Vermögen AG share**

**b Capital measures implemented in 2005**

Transaction	Registry in trade register	Number of shares	Share capital
As at: 12/31/2004		2,210,000	4,420,000 €
Capital increase	5/13/2005	186,000	372,000 €
New capital/ new number of shares		2,396,000	4,792,000 €
Stock split 2:1	8/29/2005	2,396,000	-
New capital/ new number of shares		4,792,000	4,792,000 €
Capital increase	11/27/2005	5,000,000	5,000,000 €
New capital/ new number of shares		9,792,000	9,792,000 €
<b>As at: 12/31/2005</b>		<b>9,792,000</b>	<b>9,792,000 €</b>



**c Shareholder structure as at 31<sup>st</sup> December 2005**



**d Investor Relations**

VIB Vermögen AG investor relations activities have intensified on account of the listing in the M:access in Munich and on the open market of the Frankfurt Securities Stock Exchange on 28th November 2005. In addition to regular press releases, the CEO has had numerous talks since the listing with institutional investors both in Germany and abroad, and also with journalists specialising in finance and the economy. Foreign investors in particular have shown great interest in the business model and the clear positioning of the VIB Vermögen AG. Active investor relations have also been planned for the current year. As such, the CEO will take part regularly in capital market conferences and make use of the opportunity to talk to investors and journalists in order to draw attention to the VIB Vermögen AG's chances in the South German real estate market.





**B Group operating and financial review**

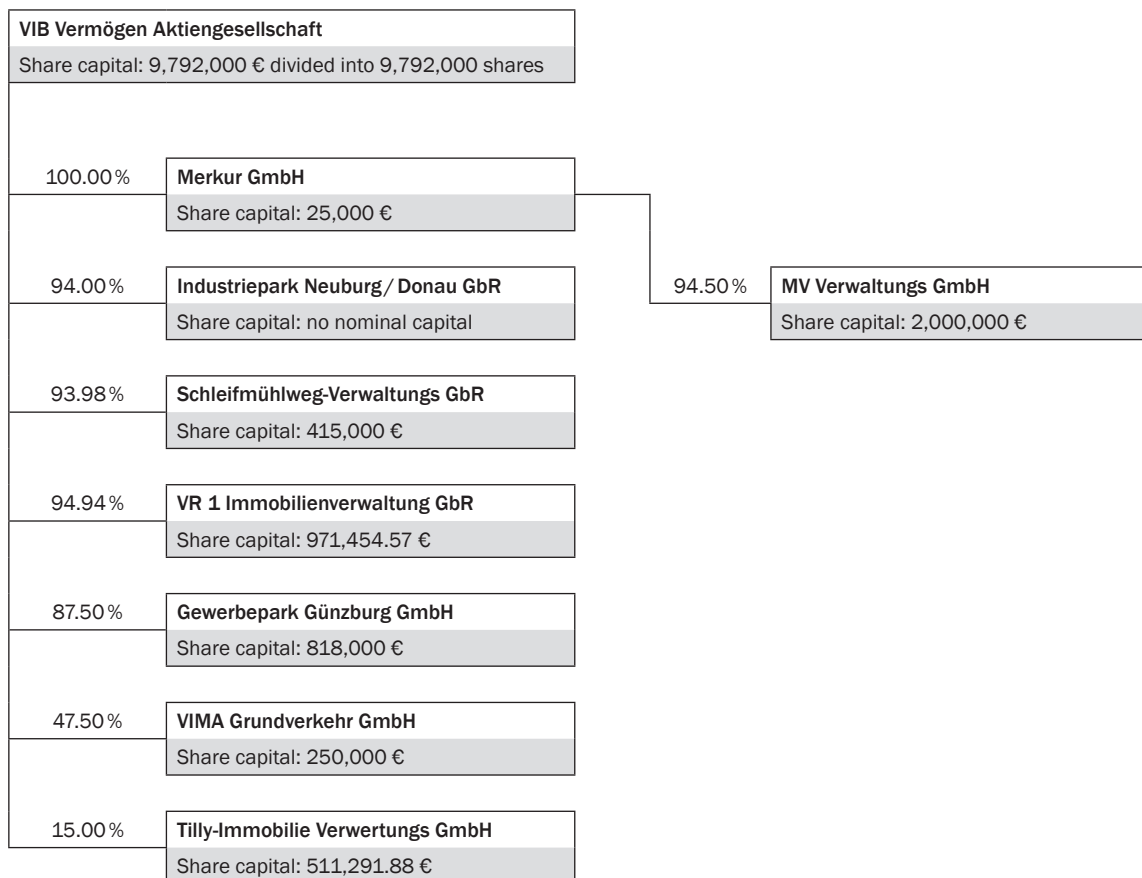
**1 Economic report – Business development and position of the company**

**a Business operations and overall condition**

i. Company structure

In the course of buying real estate, the VIB Vermögen AG also acquires majority interests in companies with real estate assets. The parent company is the VIB Vermögen AG. Investments with a shareholding of over 50 % are fully consolidated into the group. The administration of the real estate portfolio is also carried out by the 100 % subsidiary company Merkur GmbH. When compared with the previous year, there has only been a slight change in the structure of the company. At the end of the financial year 2005, the VIB Vermögen AG made a complete takeover of the TM AG & Co. KG, a company in which the VIB Vermögen AG had had a 22.22 % stake. The company thus accrued to the VIB Vermögen AG, enabling the three properties “Hotel Mercure Ingolstadt”, “Burger King Ingolstadt” and “AWG Modecenter Schrobenhausen” to be brought into the parent company VIB Vermögen AG. The TM AG & Co. KG ceased to exist accordingly.

Company structure as at 31<sup>st</sup> December 2005 at a glance:



Share capital = nominal capital/company capital



ii. Real estate investments of the VIB Group at a glance (as at: 31<sup>st</sup> Dec. 2005)

Property	built / acquired	tenant	rentable area in m <sup>2</sup>	rented area in m <sup>2</sup>
Industrial plant in Neuburg, Ruhrstr. 5	built 1993 / 1994 Occupancy from: 07 / 1994	Faurecia Autositze GmbH & Co. KG	12,400	12,400
<b>Total</b>			<b>12,400</b>	<b>12,400</b>
Industrial buildings in Jettingen-Scheppach, Siemensstr. 3	Acquired: 07 / 2002	Gutmann Maschinenbau GmbH Mitrovic Industriemaschinen Hölldobler GmbH Hagebau Süd CANCOM IT Systeme AG	Parking spaces	1,221 1,498 639 1,281
<b>Total</b>			<b>4,900</b>	<b>4,639</b>
Production hall and office building, open space, Neuburg, Robert-Widmer-Str. 4	Acquired: 08 / 2004	WIPAG GmbH & Co. KG Faurecia Autositze GmbH & Co. KG  Total hall area Total office space	4,375 700	1,000 140 car parking spaces
<b>Total</b>			<b>5,075</b>	<b>1,000</b>
Commercial property in Aalen, Eduard-Pfeiffer- / Bahnhofstr.	Acquired as of 01 / 01 / 2005	Cinema operator Schweizer RENO Schuhcenter Vögele Mode Center Lady-Fitness-Studio NORMA Lebensmittel Kozaroski Billard-Cafe Hoffnung für Alle e.V. VODAFONE and Deutsche Funkturm		5,176 940 1,145 530 700 394 960 -
<b>Total</b>			<b>9,845</b>	<b>9,845</b>
Office building for administration and research in Großostheim, Bauhofstr. 16	Acquired as of 4 / 19 / 2005	Ciba Vision Vertriebs GmbH (Novartis group)	4,447	4,447
<b>Total</b>			<b>4,447</b>	<b>4,447</b>
DonauCityCenter in Ingolstadt, Frühlingstraße 35	Completion date: 10 / 30 / 2005	EDEKA Südbayern GmbH, Ingolstadt Aldi GmbH & Co KG dm Drogeriemarkt B+H GmbH, Fitness-studio Bistro im Wasserturm		2,191 1,560 805 2,480 250
<b>Total</b>			<b>7,286</b>	<b>7,286</b>
Burger-King Restaurant in Schweitenkirchen (motorway A9, exit Pfaffenhofen)	Completion in 10 / 2005	Hurlebaus Otto	433	433
<b>Total</b>			<b>433</b>	<b>433</b>



**B Group operating and financial review**

**1 Economic report – Business development and position of the company**

**a Business operations and overall condition**

ii. Real estate investment of the VIB Vermögen AG at a glance (as at: 31<sup>st</sup> Dec. 2005)

Property	built / acquired	tenant	rentable area in m <sup>2</sup>	rented area in m <sup>2</sup>
5 apartments in Munich, Lipowskystraße 8 underground car parking spaces Lipowskystraße	Acquired: 2001	Private tenants	419	419
<b>Total</b>			<b>419</b>	<b>419</b>
Production hall and office building, Neuburg, Robert-Widmer-Str. 7	Acquired: 9 / 30 / 2005	Scherm Logistik Total hall area Total office area	3,335 585	3,335
<b>Total</b>			<b>3,920</b>	<b>3,335</b>
AWG Modecenter, Schrobenhausen, Rinderhofer Breite	Acquired: 12 / 2005	AWG Allg. Warenvertriebs GmbH	1,174	1,174
<b>Total</b>			<b>1,174</b>	<b>1,174</b>
Burger-King Restaurant in Ingolstadt, Eriagstrasse	Acquired: 12 / 2005	Hurlebaus Otto	404	404
<b>Total</b>			<b>404</b>	<b>404</b>
Hotel Mercure, Ingolstadt, Hans-Denck-Strasse	Acquired: 12 / 2005	Widmann Betriebsführungs GmbH	1,828	1,828
<b>Total</b>			<b>1,828</b>	<b>1,828</b>
Büro- und Geschäftshaus in Regensburg, Prüfeninger Str.	Acquired: 01 / 2001	currently 13 tenants		2,589
<b>Total</b>			<b>2,924</b>	<b>2,589</b>
Production halls and storage buildings in Neuburg, Augsburger Str.	Acquired: 01 / 2003	Schertler Verpackungen GmbH Loxess Neuburg GmbH IP Logistik GmbH & Co. KG DFMD Deutsche Funkturm	15,325 14,277 21,670 -	15,325 14,277 21,670 -
<b>Total</b>			<b>51,272</b>	<b>51,272</b>
Production halls and office space in Neuburg, Schleifmühlweg	Constructed: 2001 / 2002 Occupancy from: 07 / 2002	Metawell GmbH		7,460
<b>Total</b>			<b>7,460</b>	<b>7,460</b>
Production halls and office space in Neuburg, Robert-Widmer-Str. 1	Section A: Acquired: 1996 Section B: Acquired and reconstructed: 1998 Section C: New building 2001 und 2004	Faurecia Autositze GmbH & Co. KG Faurecia Autositze GmbH & Co. KG Faurecia Autositze GmbH & Co. KG		2,900 1,000 1,400
<b>Total</b>			<b>5,300</b>	<b>5,300</b>



Property	built/ acquired	tenant	rentable area in m <sup>2</sup>	rented area in m <sup>2</sup>
Gründerzentrum Neuburg Schrobenhausen, Oberhausen-Kreut	Acquired and rebuilt: 2001/ 2002	Tilly-GmbH and other tenants		1,362
<b>Total</b>			<b>1,459</b>	<b>1,362</b>
Günzburg Commercial Park, Production halls and storage buildings	Acquired: 2005	Bosch-Rexroth Group Hölldobler Spedition Luible Springer Transport GmbH	Parking spaces	12,636 552 1,500
<b>Total</b>			<b>24,203</b>	<b>14,688</b>
<b>Total</b>			<b>144,749</b>	<b>129,881</b>

At the end of 2005 (31<sup>st</sup> Dec. 2005) the real estate portfolio and its tenants can be subdivided into the four branches of industry, logistics, trade and office/ services. Measured by the share of net yield, the industrial sector contributed 48.6% towards the total rental yield in the financial year 2005. The logistics sector contributed 23.7%, office/ services 20.1% and trade 7.6% towards the total rental yield. With regard to the percentages given, allowance must be made for the fact that in the trade sector the construction of the DonauCityCenter (first construction phase) was only completed at the end of the financial year and as such, a rental yield could only be generated from that time. And so the trade sector will become more important in the current year. The average rental yield (ratio of annual net rent to acquisition – or respectively – production costs) of the real estate portfolio amounted to around 9%. At the end of the financial year the VIB Vermögen AG had an average vacancies' rate of around 7%. These readily available rentable areas open up further potential yield.

In the year 2005, construction was begun on property in Neuburg-Feldkirchen for the purpose of utilizing a piece of land. The building comprises 46 freehold flats and 4 commercial units.

As at 31<sup>st</sup> Dec. 2005, the real estate portfolio had the following average maturities on its rental agreements (calculated according to the share of net yield):

< 3 years:	31.6%
3 - 5 years:	11.1%
5 - 10 years:	39.1%
10 - 15 years:	18.2%

The target of the VIB Vermögen AG is to continue to achieve a balanced ratio between the maturity periods of the rental agreements, whereby an increase in the share of long-term rental agreements naturally leads to stable, and as such to calculable, yields and a low rate of vacancies.



**B Group operating and financial review**

**1 Economic report – Business development and position of the company**

**a Business operations and overall condition**

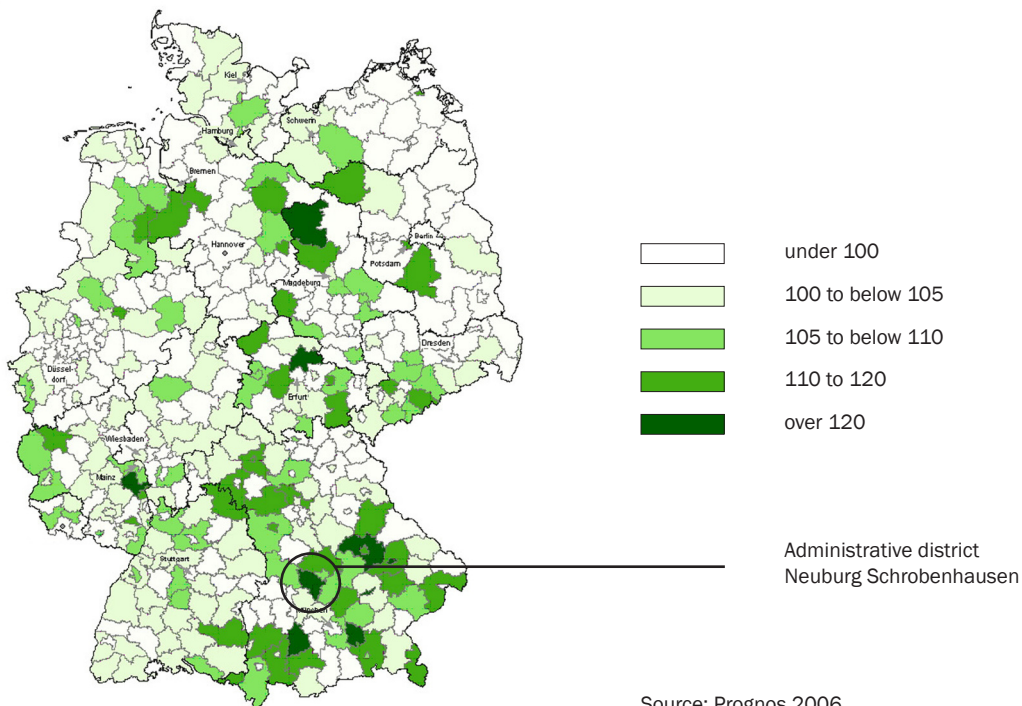
iii. Personnel

At the end of the financial year 2005, the VIB Group had six employees. A lawyer was recruited last year and further additional appointments are being planned as the real estate portfolio grows. Nevertheless, the company still intends to adhere to its modest personnel structure in future, too.

iv. Developments in the branch

There was an improvement in the economic environment during the last financial year. Following economic growth of 1.6% in the year 2004, the gross domestic product increased a further 0.9% in the year 2005. The upswing was caused mainly by the export activities of German companies and less by domestic investments or the domestic demand of consumers. And yet during the past few years, economic growth has not occurred uniformly across all the federal states. While job development in the eastern part of Germany has been partially retrogressive, the South German region in particular has experienced higher-than-average development. In fact, in the years 2000 – 2004, the administrative district of Neuburg/Schrobenhausen displayed the most dynamic development in Germany with an index value of 140.1 (national average: 100).

*Illustration 1: job development in the 14 leading and growing branches 2000 - 2004*



Source: Prognos 2006



According to a survey carried out by Prognos, the City of Ingolstadt is considered to be the fastest-growing city in Germany. Amongst other things, this growth is being boosted by the automobile industry and the crude oil processing industry, both of which are located in Ingolstadt. The VIB Vermögen AG profits considerably from this development as the economic growth has a positive influence on the demand for real estate and accordingly on property and rental prices. At the end of the financial year 2005, 13 from a total of 19 properties in the VIB portfolio were situated in the Ingolstadt and Neuburg/Schrobenhausen areas. As a positive economic development is anticipated, rental prices in Southern Germany in particular are expected to go up. In line with this, the average rental price spread for storage and logistics properties has already increased to between € 3.50 and € 6.50/m<sup>2</sup> in the Munich conurbation. As the VIB Vermögen AG also concentrates on the logistics branch of commercial real estate, this development has had a positive effect on the value of the real estate portfolio.

In addition to the generally positive economic environment, the demand from foreign investors for commercial real estate is rising. The German (commercial) real estate market is still considered to be valued moderately when compared internationally, which is why foreign investors are investing here more and more. This also has a positive effect on the prices for property and rent. All in all, a change in trend is emerging in the commercial real estate sector, as for the first time in several years there has been hardly any drop in prices or rents.

Foreign investors usually invest high volumes of € 100 million or more, and as such the VIB Vermögen AG benefits from its niche position with investment allocations of between € 2 – 30 million. In this respect, the company lets property in particular to middle-sized companies interested in long-term rental agreements. The management's network and its excellent knowledge of the region provides the VIB Vermögen AG with an additional competitive advantage to profit substantially from opportunities arising both now and in the future.

#### v. Company goals and strategy

The VIB Vermögen AG intends to further extend its holding of commercial real estate in Southern Germany. Management has set itself the goal of achieving a two-digit increase in turnover and earnings over the next few years. The strategy envisages retaining the balanced branch mix (industry, logistics, retail and office/services) when making new investments and to continually optimise the maturity terms of the rental agreements. In order to achieve this, the VIB Vermögen AG is relying on the existing core competences, the acquisition or, respectively, the construction of real estate and the letting of property. Investments are normally financed with an appropriate level of around 70% loan capital and are made in so far as the investment criteria have been fulfilled:

- Investment volumes of between € 2 – 30 million
- Rental return >8%
- Good credit-standing of the tenant in relation to the rental amount
- Economic sustainability and location of property
- Regional vicinity to the company's location in Neuburg/Donau

By making use of the financing structure, the company can boost capital growth and thus increase the Net Asset Value. Conservative financing is expressed in the ratio "net interest expense to net rental income", which should continue to range between 25 – 30%.



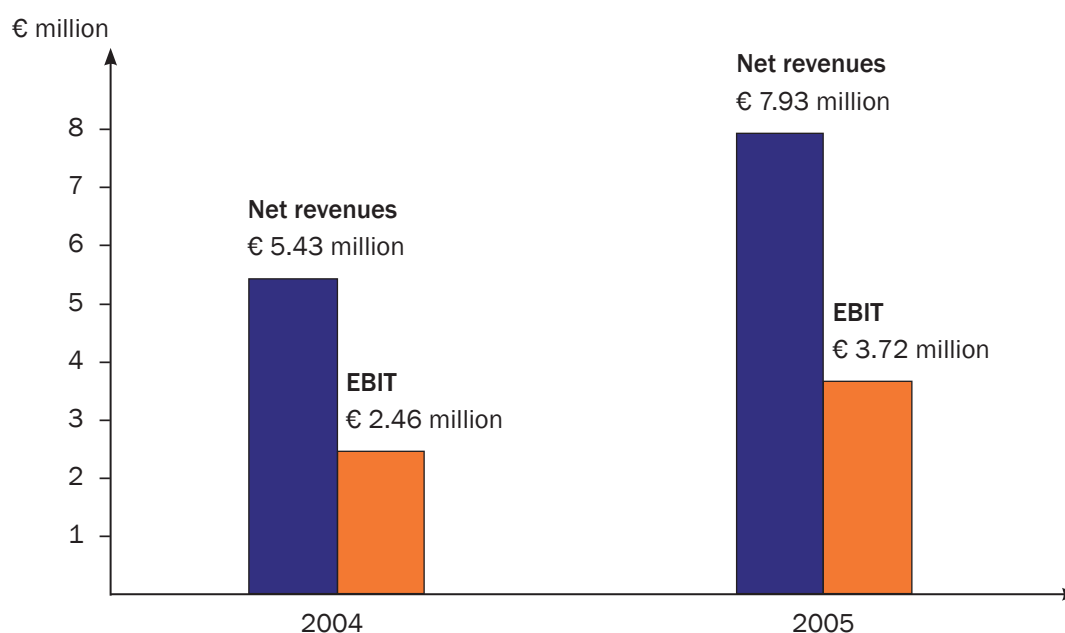
**B Group operating and financial review**

**1 Economic report – Business development and position of the company**

**b Notes to the net operating profit and analysis of assets, finances and earnings**

i. Earnings situation

In the financial year 2005 the VIB Group was able to increase the net revenues from € 5.43 million to € 7.93 million. This corresponds to an increase of 46% and is essentially a result of investments made in the financial year 2005 in attractive real estate in Southern Germany. Net revenues comprise rental yield (€ 6.36 million), advance payments of incidental costs (€ 1.34 million), and the balanced amounts from property business, acquisition and sales from the property in Feldkirchen and other operating income totalling € 0.23 million. Earnings before interest and taxes increased by 51.5% to € 3.72 million (previous year: € 2.46 million). As such, the profitability with an EBIT margin of 47% was further increased (previous year 45.3%). After deduction of the financial results, earnings before tax (EBT) amounted to € 1.81 million. This corresponds to an increase of 37.1% compared with the same period in the previous year. On account of costs amounting to € 1.77 million for the IPO in November 2005, the VIB Group achieved a considerably lower net income amounting to € 0.09 million. Net income for Group shareholders amounts to € 0.01 million (previous year: € 0.86 million) after the deduction of minority shareholders' portion of profits. The CEO recommends to the General Meeting the distribution of a reduced dividend amounting to € 0.06 per share from the net income.



## ii. Financial condition

On account of the IPO and the associated capital increase, the total assets of the VIB Group have almost doubled from € 54.67 million to € 105.21 million. Following the investments made in the financial year 2005, the fixed assets also increased to € 78.86 million (previous year: € 46.77 million). In this connection, investments were made in a commercial property for trade and services in Aalen and likewise in an office building in Großostheim. Furthermore, the two new building projects – the DonauCityCenter (first construction phase) in Ingolstadt and the BurgerKing Restaurant on the A9 motorway at Schweitenkirchen – were successfully completed. The existing stake in the Günzburg Commercial Park was increased by 75% to 87.5%, so that this will now be fully consolidated. At the same time, the VIB Vermögen AG made a complete takeover of the TM AG & Co. KG, a company in which the VIB Vermögen AG had had a 22.22% stake. The company thus accrued to the VIB Vermögen AG, enabling the three properties “Hotel Mercure Ingolstadt”, “Burger King Ingolstadt” and “AWG Modecenter Schrobenhausen” to be brought into the parent company VIB Vermögen AG. In view of the fact that the real estate is financed with a majority share of loan capital, the Group’s bank loans rose from € 37.65 million, as they were previously, to € 55.63 million. Total debt amounts to € 58.63 million. After deduction of liquid capital amounting to € 21.42 million, there remained a net debt of € 37.21 million at the end of the year 2005.

The Group’s current assets as at 31<sup>st</sup> December 2005 amounted to € 26.33 million (previous year: € 7.9 million) and for the most part comprised liquid capital amounting to € 21.42 million. The caption inventories mainly comprises the capitalised acquisition and construction costs for the property in Neuburg-Feldkirchen (€ 2.08 million). With reference to receivables and other assets, these are essentially receivables from current business operations (purchase price receivables amounting to € 1.2 million) and claims to tax rebates (€ 0.45 million). The receivables from current business operations were balanced completely at the beginning of 2006.

The company implemented various capital measures in the previous financial year. On 13<sup>th</sup> May 2005, the issue of 186,000 shares with a notional nominal value of € 2.00 per share resulted in raising share capital to € 4,792 million. On account of the 2:1 stock split following a resolution passed in the Annual General Meeting on 28<sup>th</sup> July 2005, the number of shares outstanding doubled to 4,792 million, thus reducing the notional nominal value to € 1.00 per share. An increase in share capital from € 4,792 million to € 9,792 million resulted from the issue of 5 million bearer shares within the scope of the IPO on 28<sup>th</sup> November 2005. The premium to the amount of € 5.00 per share was transferred to the capital reserve. At the end of the year 2005, Group equity amounted to € 45.07 million, an increase of € 30.29 million compared with the year-end of the previous year. The equity ratio thus increased to 42.8% (previous year 27.0%).

## iii. Liquidity

On account of the capital increase within the scope of the IPO, cash and cash equivalents increased from € 5.99 million to € 21.42 million as at the the end of the year 2005. In the financial year 2005, the VIB Group generated a cash flow, adjusted by the costs of the IPO, amounting to € 3.41 million, corresponding to an increase of € 1.00 million or 41.8% compared with the same period in the previous year. The good financial position is also expressed in the ratio “net interest expense to net rental income”, which amounted to 29.9% in the financial year 2005. This means that the net rent was more than three times as high as was necessary for the interest expenses of the rental business. As such, the liquidity of the VIB Group is not endangered even in the case of possible loss of rent or an increase in the market-related interest rates. The VIB Vermögen AG differs clearly here from many other real estate companies that utilise a higher level of loan capital to finance real estate.





**B Group operating and financial review**

**2 Supplementary report**

At the beginning of the year 2006, the VIB Vermögen AG acquired a retail and service centre in the commercial area of Memmingen-Nord at a price of around € 21 million. The real estate was financed by utilising approximately 30% equity ensuing from the IPO in November 2005 and about 70% loan capital. Among the tenants of the real estate there are companies of first-class standing, such as MediaMarkt, Citibank, Takko, RENO, Top Bau Center (Praktiker) and also various doctors' surgeries. The project achieves a yield of over 9% p.a.

In April 2006 our company acquired 94.45% of the shares in the Bürgerliches Brauhaus Ingolstadt AG (BBI AG) – likewise listed - at a price of € 9.5 million from the Bayerische Landesbank. This corresponds to a notional purchase price of approximately € 335 per BBI AG share. The BBI AG is particularly well-known as a traditional brewery for wheat beer from Ingolstadt under the brand name "Herrnbräu". In addition to its participation in Herrnbräu, the BBI AG also has substantial real estate with land totalling 70,000 m<sup>2</sup> and floor space totalling 32,000 m<sup>2</sup>.



### 3 Risk report and forecast

#### a Risks to future development

The management of the VIB Vermögen AG takes deliberate entrepreneurial risks in order to benefit from the opportunities of the real estate market. Such risks are constantly monitored and controlled in business operations. Overall, the risks are reduced on account of the geographical proximity to the investment properties, the management's good regional market expertise and personal contact to the tenants and to the financing banks.

##### Risks arising from tenants

Possible loss of rent or, respectively, outstanding rental payments gives rise to a credit risk from tenants of the VIB Vermögen AG. Even in the case of short-term rental agreements, there is the possibility that they will not be renewed, and as such there will be no rental revenue from the properties concerned over a certain period of time. A possible loss of rent and continuing costs for the real estate could represent a medium-term burden for the Group earnings situation. By focusing on commercial real estate with significant locational advantages (e.g. links to infrastructure, modern equipment and fittings) and on tenants of exclusively first-class standing that can from the outset provide appropriately comprehensive proof of their credit-standing, the VIB Vermögen AG is in a position to minimise these risks.

##### Risks arising from construction costs

Through the acquisition of land and the subsequent construction of properties, there can be a risk for the company arising from construction costs. As such, the investment amount calculated by the company at the planning stage might be exceeded, thus making the originally designated financing funds (equity and bank loan) insufficient to fully finance the property. In the case of larger building projects, the property is constructed at a fixed price by a general contractor within the scope of a general contractor's agreement on a turnkey principle, ready for immediate occupancy. Before the conferring of a mandate, the VIB Vermögen AG checks the standing of the general contractor in order to ensure that the property will be fully completed within the time scheduled. Should, nevertheless, the planned construction costs of new building projects be exceeded, the VIB Vermögen AG would be able to cover these costs from additional equity on account of the good earnings and financial situation of the VIB Vermögen AG.

##### Exposure to risk from changing interest rates

The cycle of interest rate increases initiated by the European Central Bank poses a risk for the VIB Vermögen AG through changing interest rates, as at present on account of low interest rate levels, credit is being taken up with short-term interest rate arrangements oriented to the EURIBOR. The level of loan finance oriented to EURIBOR amounts to around 30 % of the total volume of credit, whereas agreements entered into for the remaining, larger volume of loan financing are with fixed interest rates and for fixed periods of several years. Risk management comprises the monitoring and adjustment of the periods of agreements with fixed interest rates, adjusting the level of loan capital and optimising the interest rate costs through interest rate swaps and the addition of foreign currency. Thus even in the case of an increase in short-term interest rates, the risk posed by changing interest rates remains calculable.



**B Group operating and financial review**

**3 Risk report and forecast**

**a Risks to future development**

Legal risks/ Contractual risks

A risk for the VIB Vermögen AG can arise through entering into purchase and rental agreements that can subsequently result in follow-up costs. In order to be able to monitor the legal risks to the company, we have now increased our personnel to include a lawyer specialised in this particular field. Since the foundation of the company, the VIB Vermögen AG has never been involved in any litigation with regard to purchase or rental agreements and, as such, this risk is assessed as manageable.

Exposure to takeover risks

Within the scope of the acquisition or takeover of companies with real estate, the business operations of the target company can on principle also be taken over. In view of the fact that the VIB Vermögen AG is primarily interested in real estate assets, selling the business operations of the target company can be a strategic option. However, since the business operations need not always be sold immediately after the acquisition of the company, this poses a takeover risk for the VIB Vermögen AG. For this reason, before any planned acquisition takes place, the CEO of the VIB Vermögen AG has talks with potential purchasers for the business operations of the potential target company.

The system of risk management established in the company is appropriate and is being continually developed according to market requirements. For this reason there are at present no risks that could endanger the existence of the company.

**b Opportunities for future development**

Economic activity and also developments in the real estate market can have a positive effect on the business situation of the VIB Vermögen AG. For the current year 2006, economic growth in Germany is expected to be between 1.6 – 2.0% in all. This upswing is being brought about mainly through investments in the industry and services sector. Investments are being made in both existing and new commercial and industrial locations, which can lead to an increased demand for real estate and accordingly to increasing prices for real estate in the medium-term. As such, the VIB Vermögen AG as a specialised real estate holding company for commercial real estate can benefit from the above-average high level of growth in Southern Germany.

Increasing prices for real estate can have a positive effect on the value of the VIB real estate portfolio and likewise on the capital value of the company. On account of the relatively low valuation of real estate in Germany compared with other European countries, more and more foreign real estate trusts are investing here in order to reap future benefits from further increasing market prices. This increased demand is already being reflected in higher prices for real estate, whereby property can still be spoken of as being undervalued in this country. The VIB Vermögen AG has a decisive advantage here in that management's comprehensive knowledge of the regional real estate market puts the company in a good position to make high-yield investments and likewise to avoid making misallocations as far as possible. And so, unlike the situation for foreign competitors, it is still possible to acquire real estate under favourable terms and conditions, while, at the same time, the prices for rent are increasing.



The VIB Vermögen AG has a high level of liquidity on account of the IPO in November 2005. These resources can be invested at short notice in high-yield real estate in an attractive market environment. In turn, the attainable rental yields from these investments will have a positive effect on the operational profits. In addition, if there is an increase in rental prices, this will lead to the key figures for earnings being achieved faster than planned. Likewise, going public provides a higher level of financial scope, through which the company can take up additional equity for new investments.

In contrast to other real estate companies, the VIB Vermögen AG employs a relatively high level of equity to finance its real estate. This normally amounts to between 30 – 40%. The conversely low level of loan capital leads to two positive effects: on the one hand, credit can be reduced more quickly in order to rid the real estate of debt, and on the other hand, the interest expense rate is lower compared with that of competitors in a market environment with rising interest rates. Accordingly, this has a positive effect on the net income.

The introduction of the so-called Real Estate Investment Trusts (REIT) in Germany also represents an opportunity for the VIB Vermögen AG. If the German-REIT is in fact introduced, the legal framework will have to be carefully examined. We certainly hope that there will not be too many bureaucratic hurdles and that it can be implemented by our middlesized real estate holding company.

### **c Forecast (outlook)**

In the current financial year, the VIB Vermögen AG is planning a two-digit increase in revenues and earnings. We are planning to invest the equity that has become available from the IPO by the middle of the year. On this basis, the company expects to achieve net operating profits, i.e. mainly rental yields in the group, amounting to at least € 11.0 million. We hope to increase the EBIT to above € 6.0 million and estimate a pre-tax profit of at least € 3.0 million. According to the plans of the executive board, a cash flow of at least € 4.5 million will be generated in the financial year 2006. The VIB Vermögen AG also expects a considerable increase in revenues and earnings for the year 2007.

The VIB Vermögen AG will examine new investments according to the company's defined investment criteria in order to generate an average rental yield of > 8% in future, too. In this respect, the executive board is planning on investment volumes of between € 2 and 30 million and an appropriate level of loan capital of around 70% in order to benefit from the growth opportunities in the South German region. In this way, the company's niche position is to be strengthened still further and the VIB Vermögen AG sustainably positioned as a real estate holding company with a high asset value.



**C Consolidated financial statements****1 Balance sheet as at 31<sup>st</sup> December 2005****VIB Group, Neuburg a.d. Donau**

	<b>ASSETS</b>	<b>2005 (€)</b>	<b>2004 (€)</b>
<b>A.</b>	<b>Fixed assets</b>	<b>78,855,768.70</b>	<b>46,772,224.18</b>
<b>I.</b>	<b>Intangible assets</b>	<b>1,013.57</b>	<b>2,100.14</b>
1.	Concessions, industrial and similar rights and assets and licences insuch rights and assets	1,013.57	2,100.14
<b>II.</b>	<b>Tangible assets</b>	<b>78,531,003.29</b>	<b>43,683,963.88</b>
1.	Land and land rights and buildings including buildings on third party land	77,379,244.79	39,849,006.17
2.	Technical equipment and machines	41,122.00	31,614.00
3.	Other equipment, factory and office equipment	1,099,636.50	1,027,673.50
4.	Prepayments on tangible assets and construction in progress	11,000.00	2,775,670.21
<b>III.</b>	<b>Financial assets</b>	<b>323,751.84</b>	<b>3,086,160.16</b>
1.	Participations	238,251.84	1,266,264.52
2.	Long-term investments	0.00	1,014,374.01
3.	Other loans receivable	85,500.00	805,521.63
<b>B.</b>	<b>Current assets</b>	<b>26,328,535.24</b>	<b>7,895,267.11</b>
<b>I.</b>	<b>Inventories</b>	<b>2,478,085.19</b>	<b>1,009,991.70</b>
1.	Raw materials and supplies	2,900.00	
2.	Land held for sale	2,475,185.19	
<b>II.</b>	<b>Receivables and other assets</b>	<b>2,432,773.93</b>	<b>896,060.85</b>
1.	Trade receivables	676,561.38	266,224.00
2.	Receivables from minority interests	161,250.00	110,000.00
3.	Other assets	1,594,962.55	519,836.85
<b>III.</b>	<b>Cash and cash equivalents</b>	<b>21,417,676.12</b>	<b>5,989,214.56</b>
<b>C.</b>	<b>Prepaid expenses</b>	<b>23,620.18</b>	<b>6,315.16</b>
		<b>105,207,924.12</b>	<b>54,673,806.45</b>



<b>EQUITY AND LIABILITIES</b>		<b>2005 (€)</b>	<b>2004 (€)</b>
<b>A.</b>	<b>Equity</b>	<b>45,070,327.48</b>	<b>14,776,590.15</b>
I.	Subscribed capital	9,792,000.00	4,420,000.00
II.	Capital reserve	34,690,722.28	8,016,722.28
III.	Retained earnings		
	Other retained earnings	541,459.67	364,190.43
IV.	Accumulated losses brought forward (previous year: retained profit brought forward) (of which from change in consolidation: (949,753.44) €)	(952,811.97)	18,859.35
V.	Net income	10,824.46	855,792.86
VI.	Capital from participating certificates	675,000.00	675,000.00
VII.	Adjustment items for minority interests	313,133.04	426,025.23
<b>B.</b>	<b>Provisions</b>	<b>1,054,878.66</b>	<b>202,779.55</b>
1.	Provisions for taxation including deferred taxation	873,625.00	147,935.18
2.	Other provisions	181,253.66	54,844.37
<b>C.</b>	<b>Liabilities</b>	<b>58,631,981.97</b>	<b>39,610,637.29</b>
1.	Liabilities to banks	55,416,424.68	37,651,046.70
2.	Trade payables	412,098.10	82,300.00
3.	Payables to minority shareholders	65,910.83	0.00
4.	Other liabilities	2,737,548.36	1,877,290.59
<b>D.</b>	<b>Deferred income</b>	<b>450,736.01</b>	<b>83,799.46</b>
		<b>105,207,924.12</b>	<b>54,673,806.45</b>



**C Consolidated financial statements****2 Consolidated statements of income for the year ended 31<sup>st</sup> December 2005****VIB Group, Neuburg a. d. Donau**

		2005 (€)	2004 (€)
<b>1.</b>	<b>Revenues</b>	<b>8,813,059.32</b>	<b>6,032,323.07</b>
2.	Increase in investments of land held for sale	1,554,198.54	(734,347.16)
3.	Other operating income	100,703.58	169,236.05
	<b>Operating income</b>	<b>10,467,961.44</b>	<b>5,467,211.96</b>
4.	Expenses for land		
a)	Expenses for land held for sale and related construction work	(2,535,855.67)	0.00
b)	Expenses for rented land and buildings	(1,488,695.10)	(552,966.90)
5.	Personnel expenses		
a)	Wages and salaries	(336,830.85)	(274,544.19)
b)	Social security, retirement and welfare costs	(58,854.21)	(43,225.09)
6.	Depreciation and amortisation of intangible assets and fixed assets	(1,620,390.65)	(1,181,454.61)
7.	Other operating expenses	(762,845.70)	(489,582.23)
	<b>Operating expenses</b>	<b>(6,803,472.18)</b>	<b>(2,541,773.02)</b>
	<b>Operating result</b>	<b>3,664,489.26</b>	<b>2,925,438.94</b>
8.	Income from participations	137,392.13	12,000.00
9.	Results from other securities and loans receivable on the financial assets	3,520.20	12,705.20
10.	Other interest income and similar revenue	126,953.09	45,515.88
11.	Write-downs on financial assets and current marketable securities	0.00	(367,446.02)
12.	Interest and similar expenses	(2,044,829.23)	(1,263,600.09)
	<b>Result from ordinary business activities</b>	<b>1,887,525.45</b>	<b>1,364,613.91</b>
13.	Extraordinary result	(1,777,926.63)	(47,543.90)
14.	Income taxes	121,350.22	(295,392.75)
15.	Other taxes	(139,109.33)	(67,971.83)
	<b>Group net income</b>	<b>91,839.71</b>	<b>953,705.43</b>
16.	Minority interests	(81,015.25)	(97,912.57)
	<b>Net income of group shareholders</b>	<b>10,824.46</b>	<b>855,792.86</b>



### 3 Consolidated cash flow statement

	2005 € thousand	2004 € thousand
Net income (2005 before extraordinary items)	1,870	954
Increase/ decrease in provisions	852	(143)
Gain/ loss on sales of fixed assets	21	(17)
Depreciation of fixed assets	1,620	1,549
Gain/ loss on short-term assets (without change in cash and cash equivalents)	(3,022)	4,269
Gain/ loss on short-term liabilities ( without change in provisions and bank liabilities)	473	(364)
<b>Cash flow from operating activities</b>	<b>1,814</b>	<b>6,248</b>
Proceeds from sales of fixed assets	994	132
Investments in fixed assets		
- Intangible assets	0	0
- Tangible assets	(27,124)	(8,091)
- Financial assets	(86)	(365)
Cash repayments from the acquisition of consolidated companies	(1,850)	0
<b>Cash flow from investing activities</b>	<b>(28,066)</b>	<b>(8,324)</b>
Cash repayments for the creation and issue of capital stock (extraordinary item)	(1,778)	0
Proceeds from equity contributions		
- Increase in subscribed capital	5,372	175
- Contributions to capital reserve	26,674	706
- Contributions to participating certificates capital	0	5
Dividends paid to shareholders	(700)	(700)
Cash payments to minority shareholders	(58)	22
Other effects of consolidation	(6,890)	80
Proceeds from taking up (financing) loans	18,879	21,388
<b>Cash flow from financing activities</b>	<b>41,499</b>	<b>21,676</b>
<b>Changes affecting settlement of cash</b>	<b>15,247</b>	<b>19,600</b>
Net effect of consolidation changes on cash and cash equivalents	145	0
Cash and cash equivalents at the beginning of the period	(2,408)	(22,008)
Cash and cash equivalents at the end of the period	12,984	(2,408)





**C Consolidated financial statements**

**4 Notes to the consolidated financial statements**

**a General information**

The consolidated financial statements for the financial year 2005 were prepared according to the provisions in §§ 290 to 315 of the German Commercial Code HGB and according to the special provisions of the German Company Law.

**b Scope of consolidation**

Companies included in the consolidation are:

	Percentage of participation		
	Direct	Indirect	Total
Merkur GmbH	100.00%	0.00%	100.00%
Gewerbepark Günzburg GmbH	87.50%	0.00%	87.50%
Schleifmühlweg Verwaltungs GbR	93.98%	0.00%	93.98%
Industriepark Neuburg GbR	94.00%	0.00%	94.00%
VR1 Immobilien Verwaltungs GbR	94.94%	0.00%	94.94%
MV Verwaltungs GmbH	0.00%	94.50%	94.50%

All the companies in the Group were included in the consolidated financial statements within the scope of the complete consolidation.

Date of the financial statements of all of the companies included in the consolidated financial statements is 31<sup>st</sup> Decemebr 2005. In so far as no customary financial statements were prepared for investments made in partnerships under the Civil Code, the statements of revenues and expenses and the assets, debts and capital accounts were used as a basis for the consolidated financial statements.

In the reporting year, 75% of the shares in the Gewerbepark Günzburg GmbH were purchased on 29<sup>th</sup> May 2005; the shareholding now amounts to 87.5% and has been included in the consolidated financial statements for the first time.



**c Accounting principles**

The assets, plant and equipment, debts and prepaid expenses/ deferred income and also income and expenses of the included companies were completely taken over into the consolidated financial statements.

In so far as the subsidiary companies were newly acquired during the financial year or the shareholding was increased to over 50 %, the set date of the first inclusion related back to 1<sup>st</sup> January in the financial year. The reported revenue and expenses in the consolidated statements of income accordingly contain all the transactions of the subsidiary companies from 1<sup>st</sup> January even if the acquisition took place at a later point of time.

The consolidation of share capital was carried out according to the book value method in accordance with § 301 paragraph 1 No. 1 HGB (German Commercial Code).

As such, the book values of the shareholdings shown for the parent company were set against the shareholders' equity shown for the subsidiary companies and reserved for this purpose. This took place at the time of the acquisition.

In so far as additional shares were acquired in a subsidiary company that had already been fully consolidated, a first consolidation for the newly acquired shares was likewise carried out in accordance with § 301 paragraph 1 No.1 HGB (German Commercial Code).

The following differences have ensued as a result of the consolidation of share capital:

	Difference (€)	attributed to	
		Goodwill (€)	Fixed assets (€)
Schleifmühlweg Verwaltungs GbR	44,482.50	0.00	44,482.50
Industriepark Neuburg GbR	8,229,898.29	0.00	8,229,898.29
VR1 Immobilien Verwaltungs GbR	42,603.77	0.00	42,603.77
Gewerbepark Günzburg GmbH	1,676,682.77	0.00	1,676,682.77
MV Verwaltungs GmbH	4,050.28	4,050.28	0.00
<b>Value of first consolidation</b>	<b>9,997,717.61</b>	<b>4,050.28</b>	<b>9,993,667.33</b>
accumulated depreciation	(3,037.71)	(3,037.71)	0.00
<b>As at 31<sup>st</sup> December 2005</b>	<b>9,994,679.90</b>	<b>1,012.57</b>	<b>9,993,667.33</b>



**C Consolidated financial statements**

**4 Notes to the consolidated financial statements**

**c Accounting principles**

The differences relate to non-depreciable real estate in fixed assets, so that there is no depreciation to be set off.

The accounts receivable and the accounts payable between the companies were set against one another through the consolidation of debt. Guarantees and other financial commitments have, where necessary, likewise been consolidated.

In the consolidated statements of income, the net sales and other income between the companies included were set against the expenses related to them respectively. As such, the following income from investments and participation had to be recorded as eliminated in order to avoid being doubly included:

	Income from investments and participation (€)
Merkur GmbH	18,000.00
Schleifmühlweg Verwaltungs GbR	186,217.93
Industriepark Neuburg GbR	1,080,282.85
VR1 Immobilien Verwaltungs GbR	197,135.34
MV Verwaltungs GmbH	0.00
	<b>1,481,636.12</b>

Tax accruals and deferrals will be made on consolidation transactions that have an effect on the result, in so far as it can be assumed that the income tax expenses can be offset in later financial years.

An appropriate adjustment item for minority interests will be formed for shares of consolidated companies that do not belong to the parent company.

**d Accounting policies**

Uniform accounting policies apply to the companies included in the consolidated financial statements. In this respect and as a basic principle, the rights of discretionary valuation in the Group were exercised in the same way as they were in the individual financial statements.

Intangible assets and tangible assets are identified as acquisition or, respectively, production costs and depreciation is scheduled over the ordinary useful life.



Additions to moveable property are depreciated in the year of purchase, proportionally from the month they were bought in. Low-value assets are depreciated to the full amount in the year of purchase in accordance with § 6 paragraph 2 of the German Income Tax Act.

The ordinary useful life of tangible assets is :

	years
Factory and business premises	20 – 50
Outside facilities	10
Equipment and installations	3 – 12

Financial assets are assessed as acquisition costs, allowing for the principle of lower of cost or market.

Land held for sale is valued as acquisition or, respectively, production costs.

Accounts receivable and other assets, plant and equipment are recorded on the balance sheet at nominal value. The risks of financial reliability with regard to trade accounts receivable are taken into account through specific allowance for bad debts on the assets side if the occasion should arise.

Liquid assets are assessed at nominal value.

Expenses before balance sheet date are shown as prepaid expenses in as far as they represent expenses for a certain period of time after this date.

With regard to provisions for taxation and other provisions, all recognisable risks and contingent liabilities are taken into consideration. The individual amounts of the provisions are ascertained appropriately according to the principle of conservative accounting or estimated reliably.

As a basic principle, liabilities are valued at the amounts to be paid on the balance sheet date.

The total expenditure format is used in the consolidated statements of income.

## e Currency translation

Liabilities in foreign currencies are valued at the exchange rate on the day of the accounting transaction. Losses incurred through changes in the exchange rate are accounted for through revaluation on the balance sheet date.



**C Consolidated financial statements**

**4 Notes to the consolidated financial statements**

**f Information on comparability**

As a basic principle, the scope of consolidation, the principles of consolidation and the accounting policies applied have not changed in comparison with the previous year.

In order to represent the result situation more clearly, the property expenses for the rented land and buildings were shown as a separate item under 4. b) in the consolidated statements of income. These expenses were previously included in the other operational expenses. The previous year's figures were adjusted accordingly.

The assets of the TM AG & Co. KG accrued to the VIB Vermögen AG as at 31<sup>st</sup> December 2005, as all of the capital contributed by the limited partner had been acquired. In view of the fact that no other third-party shareholder had an interest in the partnership, it ceased to exist accordingly.

On account of the accrual of TM AG & Co KG and the consolidation changes, the following asset values and debts were taken over at book value in the consolidated balance sheet:

	TM AG & Co KG (€)	Gewerbepark Günzburg GmbH (€)	Total (€)
Land and buildings	4,664,162.98	7,623,465.80	12,287,628.78
Equipment and installations	160,024.00	41,805.00	201,829.00
Other assets	2,520.00	420,180.94	422,700.94
Cash in banks	84,721.45	41,288.81	126,010.26
Prepaid expenses	799.44	399.58	1,199.02
Other provisions	0.00	(6,700.00)	(6,700.00)
Bank liabilities	(3,566,671.00)	(5,230,785.79)	(8,797,456.79)
Other liabilities	(25,040.84)	(2,686,126.00)	(2,711,166.84)
Deferred income	(13,395.00)	(44,906.88)	(58,301.88)
<b>Net assets</b>	<b>1,307,121.03</b>	<b>158,621.46</b>	<b>1,465,742.49</b>

**g Explanatory notes on the balance sheet**

**Fixed assets**

An analysis of assets, in which the depreciation for the financial year can also be seen, is to be found on the last page of these notes.

The additions mainly refer to investments made in land and buildings, which are entered in the balance sheet as acquisition or, respectively, as construction costs. In the case of the DonauCityCenter, the interest on loan capital apportionable to the construction period was fully included in the construction costs.



### **Land held for sale**

The land held for sale refers to a construction project in Neuburg-Feldkirchen, whereby a building containing 46 freehold flats and 4 commercial units is being built on a piece of land owned by the company. The valuation was booked to acquisition or, respectively construction costs. The interest on loan capital apportionable to the construction period was fully capitalised.

### **Receivables and other assets**

There were no listings of receivables with a remaining term of more than one year on the balance sheet date.

### **Subscribed capital**

Share capital amounted to € 9,792,000 as at 31<sup>st</sup> December 2005 and is divided into 9,792,000 bearer shares.

In the year 2005, following the resolution passed by the executive board and the supervisory board on 28<sup>th</sup> February 2005, the share capital out of the authorised capital was increased by € 372,000 by issuing 186,000 bearer shares. The bearer shares issued in the year 2005 have been entitled to participate in profits since 1<sup>st</sup> January 2005.

In accordance with a resolution passed by the Annual General Meeting on 28<sup>th</sup> July 2005, the 2,396,000 no-par shares issued at that time with a notional nominal value of €2.00 were split into 4,792,000 shares with a notional nominal value of € 1.00.

Likewise in accordance with up resolution passed by the Annual General Meeting on 28<sup>th</sup> July 2005, the share capital was increased to € 5 million by issuing up to 5 million bearer shares. These shares were publicly offered for subscription during the period from 16<sup>th</sup> to 23<sup>rd</sup> November at € 6.00 per share and fully placed, so that the company accrued proceeds amounting to a total of € 30 million.

The existing authorised capital of the VIB Vermögen AG was cancelled in accordance with a resolution passed by the Annual General Meeting on 28<sup>th</sup> July 2005. At the same time, new authorised capital was created to the amount of € 2,396,000. The executive board is authorised, with the consent of the supervisory board, to issue new shares in return for investment in kind or cash contributions until 27<sup>th</sup> July 2010.

### **Capital reserve**

In connection with the increases in capital and the issue of new shares, the capital reserve was increased by € 26,674,000.

### **Capital from participating certificates**

The VIB Vermögen AG has granted participating certificates amounting to a total of € 675,000.

The contractual relationship ensuing from the participating certificate is of unlimited duration, but can only be cancelled after being held for three years from the time of acquisition with a two-year period of notice from the end of the year in which the notice is given. The rights embodied in a participating certificate are not connected with the rights of shareholders.



## C Consolidated financial statements

### 4 Notes to the consolidated financial statements

#### g Explanatory notes on the balance sheet

The profit distribution in connection with the rights embodied in participating certificates amounts to 5.00% p.a. There is no profit distribution if and in so far as it causes a net loss.

Capital from participating certificates partakes in a net loss of the VIB Vermögen AG to the full amount during the subsistence of the contract. In the case of liquidation or the opening of insolvency proceedings involving the VIB Vermögen AG, the capital from participating certificates can only be reclaimed after the satisfaction of the other creditors.

The terms and conditions of contracts for participating certificates meet the criteria defined by the German Institute of Auditors and as such, the capital from participating certificates is shown as equity on the balance sheet.

#### Provisions

The total amount of estimated tax debt referring to the assessment period up to the date of the balance sheet is shown in provisions for taxation including deferred taxation.

In the other provisions, allowance was mainly made for construction work not yet cleared and for the costs of the annual accounts.

#### Liabilities

The liabilities, shown according to remaining term, are composed as follows:

	total (€ thousand)	of which below 1 year (€ thousand)	of which 1 – 5 years (€ thousand)	of which over 5 years (€ thousand)
Liabilities due to banks	55,416	8,433	11,950	35,033
Trade payables	412	412	0	0
Liabilities due to minority interests	66	66	0	0
Other liabilities	2,738	1,338	1,400	0
	<b>58,632</b>	<b>10,249</b>	<b>13,350</b>	<b>35,033</b>

The liabilities due to banks are secured by registered charges on fixed asset land and buildings.

#### Deferred income

The deferred income entry contains prepaid rent received to the amount of € 100,000 and likewise the partial payments for building costs made by the tenants of the DonauCityCenter to the amount of € 313,000, which will be dissolved over the duration of the concluded rental contracts.

#### Liability provisions and other financial liabilities

For liabilities from companies with which participations are held but which are not included in the consolidated financial statements, there are guarantee liabilities to banks to the amount of € 332,500.



**h Explanatory notes on the consolidated statements of income**

**Extraordinary expenses**

Extraordinary expenses primarily shows the costs of the capital increase and the IPO.

**i Other information**

**CEO**

- Mr. Ludwig Schlosser, graduate mathematician  
Neuburg a.d. Donau

Information regarding the total remuneration of the CEO is not applicable on account of the exemption clause § 286 paragraph 4 of the German Commercial Code HGB.

**Supervisory Board**

- Mr. Franz-Xaver Schmidbauer, civil engineer (chairman)
- Mr. Rolf Klug, businessman (deputy chairman)
- Mr. Hans-Peter Fleißner, civil engineer

The Supervisory Board received remunerations to the amount of € 3,600 net in the financial year 2005.

**Information on investment holdings**

<b>Name and registered office</b>	<b>Capital share</b>
In the companies included in the consolidated financial statements:	
Merkur GmbH, Neuburg a.d. Donau	100.00 %
MV Verwaltungs GmbH, Neuburg a.d. Donau	94.50 %
Gewerbepark Günzburg GmbH, Neuburg a.d. Donau	87.50 %
Schleifmühlweg Verwaltungs GbR, Neuburg a.d. Donau	93.98 %
Industriepark Neuburg GbR, Neuburg a.d. Donau	94.00 %
VR1 Immobilien Verwaltungs GbR, Neuburg a.d. Donau	94.94 %
In the companies not included in the consolidated financial statements in accordance with § 313 paragraph 2 No. 4 German Commercial Code HGB:	
VIMA Grundverkehr GmbH, Neuburg a.d. Donau	47.50 %





**C Consolidated financial statements**

**4 Notes to the consolidated financial statements**

**j Development of fixed assets**

	Development of acquisition costs					
	as at	additions	consolidation additions / disposals	disposals	reclassification	as at
	1/1/2005 (€)	2005 (€)	(€)	2005 (€)	2005 (€)	12/31/2005 (€)
<b>I. Intangible assets</b>						
1. Goodwill	4,050.28	0.00	0.00	0.00		4,050.28
2. Computing software	574.32	0.00	0.00	0.00		574.32
	<b>4,624.60</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>4,624.60</b>
<b>II. Tangible assets</b>						
1. Land, land rights and buildings	50,846,070.52	26,948,834.52	11,435,793.06	0.00	2,773,984.77	92,004,682.87
2. Technical equipment and machines	38,487.54	0.00	41,263.22	0.00	0.00	79,750.76
3. Factory and office equipment	2,061,463.58	164,001.49	71,400.64	470.81	0.00	2,296,394.90
4. Prepayments on tangible assets and construction in progress	2,775,670.21	11,000.00	0.00	1,685.44	(2,773,984.77)	11,000.00
	<b>55,721,691.85</b>	<b>27,123,836.01</b>	<b>11,548,456.92</b>	<b>2,156.25</b>	<b>0.00</b>	<b>94,391,828.53</b>
<b>III. Financial assets</b>						
1. Participations	1,309,654.60	250.00	(771,652.76)	300,000.00	0.00	238,251.84
2. Long-term investments	1,371,186.08	0.00	0.00	1,371,186.08	0.00	0.00
3. Other loans	805,521.63	85,500.00	(805,521.63)	0.00	0.00	85,500.00
	<b>3,486,362.31</b>	<b>85,750.00</b>	<b>(1,577,174.39)</b>	<b>1,671,186.08</b>		<b>323,751.84</b>
<b>Total</b>	<b>59,212,678.76</b>	<b>27,209,586.01</b>	<b>9,971,282.53</b>	<b>1,673,342.33</b>		<b>94,720,204.97</b>



Development of accumulated depreciation							
as at	additions	consolidation additions/ disposals	disposals	as at	book value	book value	
1/1/2005	2005		2005	12/31/2005	12/31/2005	12/31/2004	
(€)	(€)	(€)	(€)	(€)	(€)	(€)	
2,025.14	0.00	1,012.57	0.00	3,037.71	1,012.57	2,025.14	
499.32	74.00	0.00	0.00	573.32	1.00	75.00	
<b>2,524.46</b>	<b>74.00</b>	<b>1,012.57</b>	<b>0.00</b>	<b>3,611.03</b>	<b>1,013.57</b>	<b>2,100.14</b>	
10,997,064.35	1,494,968.59	2,133,405.14	0.00	14,625,438.08	77,379,244.79	39,849,006.17	
6,873.54	7,429.00	24,326.22	0.00	38,628.76	41,122.00	31,614.00	
1,033,790.08	116,906.49	46,532.64	470.81	1,196,758.40	1,099,636.50	1,027,673.50	
0.00	0.00	0.00	0.00	0.00	11,000.00	2,775,670.21	
<b>12,037,727.97</b>	<b>1,619,304.08</b>	<b>2,204,264.00</b>	<b>470.81</b>	<b>15,860,825.24</b>	<b>78,531,003.29</b>	<b>43,683,963.88</b>	
43,390.08	0.00	0.00	43,390.08	0.00	238,251.84	1,266,264.52	
356,812.07	0.00	0.00	356,812.07	0.00	0.00	1,014,374.01	
0.00	0.00	0.00	0.00	0.00	85,500.00	805,521.63	
<b>400,202.15</b>	<b>0.00</b>	<b>0.00</b>	<b>400,202.15</b>	<b>0.00</b>	<b>323,751.84</b>	<b>3,086,160.16</b>	
<b>12,440,454.58</b>	<b>1,619,378.08</b>	<b>2,205,276.57</b>	<b>400,672.96</b>	<b>15,864,436.27</b>	<b>78,855,768.70</b>	<b>46,772,224.18</b>	



**C Consolidated financial statements**

**5 Short version of the individual financial statement of the VIB Vermögen AG**

<b>BALANCE SHEET</b>	<b>2005 € thousand</b>	<b>2004 € thousand</b>
Tangible assets	40,517	14,550
Financial assets	19,294	17,981
<b>Fixed assets</b>	<b>59,811</b>	<b>32,571</b>
Receivables/ other current assets	4,426	1,130
Cash in banks	20,822	738
<b>Current assets</b>	<b>25,248</b>	<b>1,868</b>
<b>Prepaid expenses</b>	<b>23</b>	<b>6</b>
<b>Assets</b>	<b>85,082</b>	<b>34,405</b>
Subscribed capital	9,792	4,420
Reserves	34,765	8,558
Balance Sheet profit	588	700
Capital from participation certificates	675	675
<b>Equity</b>	<b>45,820</b>	<b>14,353</b>
<b>Provisions</b>	<b>1,023</b>	<b>147</b>
Bank loans	35,002	18,056
Other liabilities	2,824	1,766
<b>Liabilities</b>	<b>37,826</b>	<b>19,822</b>
<b>Deferred Income</b>	<b>413</b>	<b>83</b>
<b>Total Equity and Liabilities</b>	<b>85,082</b>	<b>34,405</b>



<b>CONSOLIDATED STATEMENT OF INCOMES</b>	<b>2005 € thousand</b>	<b>2004 € thousand</b>
<b>Revenues</b>	<b>3,033</b>	<b>1,136</b>
Income from participations in affiliated companies	1,619	1,281
Increase in holding of land held for sale	2,080	-
Other operating income	24	109
Expenses for land held for sale	(2,536)	-
Other expenses for land	(150)	(141)
Personnel costs	(115)	(103)
Other operating expenses	(438)	(164)
Depreciation	(588)	(500)
Net interest expense	(1,116)	(432)
<b>Result from ordinary activities</b>	<b>1,813</b>	<b>1,186</b>
Extraordinary result (IPO costs in 2005)	(1,774)	-
Income tax and other taxes	82	(308)
<b>Net income after tax</b>	<b>121</b>	<b>878</b>
Withdrawals after reserves	467	-
Allocations to reserves	-	(178)
<b>Balance sheet profit</b>	<b>588</b>	<b>700</b>
<b>Dividend per share</b>	<b>0.06 €*</b>	<b>0.33 €**</b>
<b>Number of shares issued</b>	<b>9,792,000</b>	<b>2,210,000**</b>

\* Proposal made by the administration

\*\* before the stock split





**D Further information**

**a Further positions held by the executive body of the VIB Vermögen AG**

**Executive Board**

Ludwig Schlosser, CEO:

- Chairman of the supervisory board of the Raiffeisen-Volksbank Neuburg/Donau eG
- CEO of the Gemeinnützigen Bau- und Siedlungsgenossenschaft für den Landkreis Neuburg-Schrobenhausen eG
- CEO of the BAVARIA Baugenossenschaft eG, Neuburg/Donau

**Supervisory Board**

Franz-Xaver Schmidbauer:

- No further positions

Rolf Klug:

- Member of the supervisory board of the Raiffeisen-Volksbank Neuburg/Donau eG

Hans-Peter Fleißner:

- Member of the supervisory board of the Gemeinnützigen Bau- und Siedlungsgenossenschaft für den Landkreis Neuburg-Schrobenhausen eG

**b Financial Calendar 2006**

- |            |   |
|------------|---|
| 05/31/2006 | Publication of the Annual Report 2005         |
| 7/27/2006  | Annual general meeting                        |
| 8/31/2006  | Publication of the half-year report 2006      |
| 11/2006    | Participation in Eigenkapitalforum, Frankfurt |



## Imprint

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Registry Court: Ingolstadt  
Registry number: HRB 101699

As at: 31<sup>st</sup> May 2006

Photographs:

cap - Agentur für Kommunikation und Werbung  
Monheimerstraße 8  
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Design:

cometis AG  
Unter den Eichen 7  
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This Annual Report contains forward-looking statements that involve risks and uncertainties. These statements are based on the plans, estimates and projections of the managing board of the VIB Vermögen AG and reflect its present beliefs and expectations with regard to future occurrences. Such forward-looking statements can be recognised by the use of words or expressions such as “expect”, “estimate”, “intend”, “can”, “will” or similar expressions with reference to the company.

Factors that can make a difference or that can influence are, for example, without any claim to completeness: the development of the real estate market, competitive influences including price changes, regulatory measures, risks involved in the integration of newly acquired companies or interests. Should any of these or other risks and uncertainties occur or the underlying assumptions in the statements prove to be incorrect, the actual results of the VIB Vermögen AG could differ materially from those contained or implied in any forward-looking statement. The company undertakes no obligation to update any such forward-looking statements.



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