# Annual Report 2011


VIB Vermögen AG

visionary | individual | benefical

# Company profile

VIB Vermögen AG is a medium-sized real estate holding company whose investments focus on commercial properties in Southern Germany. Founded as a partnership in 1993, the company was converted into a public stock corporation in 2000. Since then, we have been further developing our core competencies in the acquisition and management of our own properties, as well as acquiring participating interests in companies with real estate assets. VIB Vermögen AG pursues a „develop-or-buy-and-hold strategy“. In this context, we develop real estate for our own portfolio, but also acquire portfolio properties in order to generate rental income. Our real estate portfolio includes logistics properties, industrial real estate, shopping centres and retail parks, as well as commercial and service centres.

The guiding principles of our daily work comprise the early identification and decisive exploitation of market opportunities, combined with forward-looking and broad risk diversification within our real estate portfolio. VIB Vermögen AG is also based on flexible and customer-oriented solutions, mutual trust, and long-established business relations. The overarching principle to this, from our perspective, is a sound and continuous business management approach that acts as a guarantee of sustainable success.

# Group Indicators

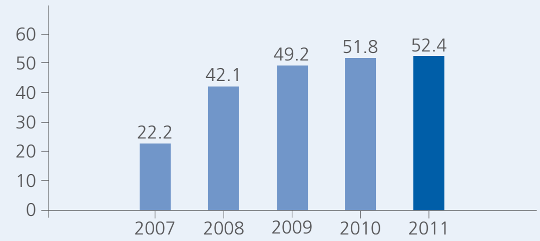
| in € thousand | 2011 | 2010 | Change in % |
|---|---|---|---|
| **Income statement** | | | |
| Revenue | 52,373 | 51,806 | 1.1 |
| Total operating revenue | 53,056 | 54,557* | -2.8 |
| EBIT | 38,507 | 35,441 | 8.7 |
| EBIT margin | 72.6 % | 65.0 % | - |
| Earnings before tax (EBT) | 18,950 | 12,825 | 47.8 |
| EBT margin | 35.7 % | 23.5 % | - |
| Consolidated net income | 15,271 | 16,914 | -9.7 |
| Undiluted earnings per share | 0.76 € | 0.91 € | -16.5 |
| **Balance sheet ratios** | | | |
| Total assets | 686,840 | 657,177 | 4.5 |
| Equity | 240,828 | 203,785 | 18.2 |
| Equity ratio | 35.1 % | 31.0 % | - |
| Net debt | 378,513 | 413,374 | -8.4 |
| Gearing | 185 % | 222 % | - |
| NAV per share | 12.22 € | 12.36 € | -1.13 |
| Net retained profits (VIB Vermögen AG) | 7,465 | 5,332 | 40.0 |
| **Other ratios** | | | |
| Loan-to-value ratio | 57.6 % | 64.2 % | - |
| Cash Flow from operating activities | 38,019 | 36,950 | 2.9 |
| FFO per share | 0.95 € | 0.97 € | -2.1 |
| FFO return (based on stock market price) as of December 31) | 14.31 % | 12.19 % | - |
| Dividend per ordinary share | 0.35 €** | 0.30 € | 16.7 |
| Number of shares | 21,328,828 | 17,771,870 | 20.0 |

* Compared with the information in the annual report 2010, this item no longer includes value changes to investment properties.

** Management's proposal

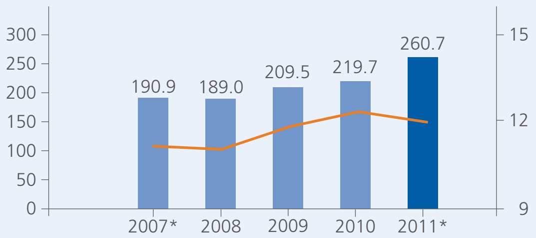
# Five-year growth comparison

### Revenue in € million



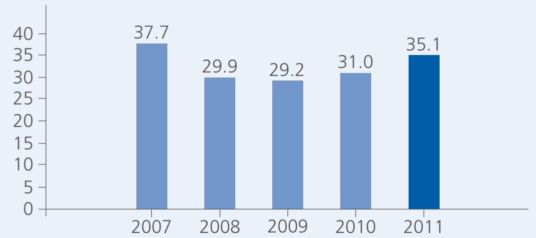

### EBT in € million


### Net asset value (NAV) in € million (left scale), NAV per share in € (right scale)




* Each number of shares increased by capital increase

### Equity ratio in %



# Contents


Regensburg


Heroldsberg

Jettingen-Scheppach

# To our shareholders

## Overview

# 2011 – an overview

### April 2011

- VIB Vermögen AG reports record 2010 earnings
- Revenue of € 51.8 million generated in real estate area
- Consolidated net income rises 37 % to € 16.9 million

### May 2011

- VIB Vermögen AG reports first-quarter revenue of € 12.9 million and € 4.0 million of consolidated net income
- Announcement of capital increase by VIB Vermögen AG as part of a non-public offering
- Subscription period starts

### June 2011

- Successful placing of € 28.4 million capital increase

### July 2011

- Payout of € 0.30 dividend per share for 2010 fiscal year

### August 2011

- VIB Vermögen AG develops properties in Ingolstadt, Ingolstadt-Grossmehring, Baunatal and Neuburg/Danube entailing approximately € 32.6 million total investment volume
- VIB Vermögen AG generates record € 26 million revenue in first half-year and € 6.6 million of consolidated net income

### October 2011

- Approximately € 11 million acquisition of logistics property in Schwäbisch Gmünd

### November 2011

- Revenue of € 38.8 million generated in first nine months of 2011
- Consolidated net income of € 11.1 million

### December 2011

- Acquisition of four properties at Group level with € 19.4 million total investment volume
- Including current project developments, VIB Vermögen AG's portfolio comprises a total of 93 properties with 732,000 m² of total rentable area

# Letter to shareholders

Peter Schropp (Member of the Managing Board), Ludwig Schlosser (CEO)

Dear shareholders,

We look back on a very successful 2011 business year. Once again, our company reported rental income growth driven by increased investment activities. This was based on the capital increase equivalent to 20 % of share capital that we realised in June 2011, which was significantly oversubscribed due to strong institutional investor demand. We rapidly reinvested most of the issue proceeds, creating the foundation for further sustainable profit growth.

We realised € 66.6 million of targeted investments in total during the year as part of our overall strategy. The average 8.5 % rental yield that we expect from these properties will contribute to further boosting our profitability. In Ingolstadt, for instance, we are developing a production and logistics centre entailing a total volume of around € 27.2 million including the participation of a subsidiary of the city of Ingolstadt. This high-yield property will comprise a total area of approximately 21,300 m². In the period under review, we also transferred a new logistics hall in Grossmehring to its tenant with a total area of approximately 4,600 m² (investment volume: € 2.6 million). We have also started further newbuild projects in Baunatal (€ 3.1 million) and Neuburg/Danube (€ 2.9 million). The rental agreements for both properties have already been signed. Following the purchase of a newly constructed logistics property in Schwäbisch Gmünd with an investment volume of € 11.3 million and a space of approximately 16,400 m², we acquired four further properties in December 2011 that were transferred to us in January 2012. These comprise a total investment volume of € 19.4 million, and generate additional annualised rental income of € 1.7 million. The first of these real estate items is a logistics property in Schesslitz near Bamberg. In the second case VIB Vermögen AG acquired a further section of the businessPark Regensburg, which we now wholly own as a consequence. The company's retail area was expanded by the purchase of two specialist market centres in Mühldorf/Inn, and in Moosburg/Isar. Both properties are fully rented to renowned tenants such as Edeka, Lidl and dm Drogeriemarkt. In overall terms, our broadly diversified real estate portfolio – without the mentioned new investments – comprised 87 properties as of December 31, 2011, with a total area of approximately 661,000 m².

As a result, VIB Vermögen AG generated € 52.4 million of consolidated revenue in 2011, thereby exceeding the previous year's record level of € 51.8 million by about 1.1 %. We also further improved our profitability. After operating earnings before interest and tax (EBIT) of € 35.4 million in the previous year, the company generated € 38.5 million of EBIT in the period under review (+8.7 %). After deducting all costs, the company generated € 15.3 million of consolidated net income (2010: € 16.9 million). Earnings per share stood at € 0.76 on the basis of earnings attributable to Group shareholders (2010: € 0.91).

In the period under review, we generated € 18.8 million (previous year: € 17.1 million) of funds from operations (FFO) – an indicator of cash inflows from the operating real estate business. This corresponds to FFO of € 0.95 per share (previous year: € 0.97). In this context, we are always endeavouring to identify and realise earnings potentials within our existing portfolio – such as in the form of renovation measures, which we realise in close coordination with our tenants. Net asset value (NAV) at € 12.22 per share reflects the high degree to which our real estate portfolio retains its value (2010: € 12.36).

This success particularly shows how VIB Vermögen AG pursues a sound and sustainable approach to managing its business. Not least, it is evidenced by the fact that the company has operated profitably since it was founded in 1993, and that operating revenue and earnings have grown every year since. Our business activities focus on creating sustainable asset values. At the same time, greater investment activities last year, and an overall positive environment for the real estate sector in Germany, form the basis for further profit growth. In this context, VIB Vermögen AG also benefits from its strong market position in Southern Germany, Germany's most economically successful region of the past years.

Given these circumstances, we are assuming that we will report further growth in both revenue and earnings for the full 2012 year. We expect revenue to lie between € 56.5 million and € 57.5 million, and earnings before interest and tax (EBIT) of between € 41.0 million and € 42.0 million. We also anticipate earnings before tax (EBT) of around € 21.5 million to € 22.5 million, with changes to the market values of portfolio properties and other extraordinary effects not being included in these figures. Consequently, we will grow our earnings by around 10 %. Along with selected and targeted real estate purchases, and the realisation of our own project developments, our strategic focus this year will be on consolidating our portfolio, and on active asset management to exploit the portfolio's existing value potentials.

We would like to thank you, our esteemed shareholders, for the confidence and trust that you have invested in us during the past fiscal year. We will continue to work together with you in the future to successfully develop the company. In this context, it is our wish that you should participate again in the company's success with an attractive dividend. We will propose to the AGM to be held on July 4, 2012 that the dividend be increased from € 0.30 per share to € 0.35. As a consequence, we paid out the entire unappropriated retained earnings contained in the single-entity financial statements of VIB Vermögen AG, which are prepared according to the accounting regulations of the German Commercial Code (HGB). With this attractive dividend policy, we demonstrate reliable continuity in this context too. It also remains our objective to deploy active investor relations work to draw the company's value closer to its net asset value of € 12.22 per share. Our stable and predictable business model in particular, which again proved very successful in the recent crisis, provides a very solid basis for this endeavour.

We would like to extend our most sincere thanks to our staff whose committed work makes a decisive contribution to the success of VIB Vermögen AG.

Yours sincerely

Neuburg/Danube, April 17, 2012

Ludwig Schlosser    Peter Schropp

# Interview with the Managing Board

VIB Vermögen AG reported a further set of record earnings in the past fiscal year. An appropriate moment in time for the company's Managing Board members, Ludwig Schlosser and Peter Schropp, to review 2011 and venture an outlook for the future.

**2011 was characterised by turbulence on financial markets and the state debt crisis in several Eurozone countries. Given this background, how did the year play out for VIB Vermögen AG?**

**Ludwig Schlosser:** 2011 was a very satisfactory year for VIB Vermögen AG. We benefited from positive conditions in the real economy in Germany, and we were not directly affected by developments on global financial markets reflecting the European state debt crisis. This allowed us to report a further set of record revenue and earnings results. Along with our philosophy of sound and sustainable commercial management, our success was also based on the capital increase that we implemented in the summer. This capital increase enabled us to realise targeted investments to expand our real estate portfolio. Overall, we acquired real estate last year with a volume of more than € 66.6 million. With these steps we have set the course for continued growth over the next few years.

**Peter Schropp:** In the late summer, we also won BMW, the global automotive group, as a long-term tenant for our logistics property in Wackersdorf. We feel that this confirms the quality and attractiveness of our real estate portfolio. It's even more pleasing that we were able to rent the property immediately once the old contract had expired, without any interim vacancy, and it shows that we understand the market's requirements.

**How committed to investment will you be in 2012 given that global economic growth is expected to slow down?**

**Ludwig Schlosser:** For this year and beyond, we can also very well imagine investing in our real estate portfolio, in line with our investment criteria. We will examine appropriate financing options for this purpose. We are currently assuming revenue of between € 56.5 million and € 57.5 million for the overall year. This will allow us to prospectively boost our EBIT to around € 41.0 million to € 42.0 million, and our pre-tax profit to between € 21.5 million and € 22.5 million, in each case before valuation adjustments

**Why does your share price lack upside momentum, despite your good results?**

**Ludwig Schlosser:** The fact is that our operating business is developing very well. The FFO metric, which is important for valuing the share, stands at € 0.95 per share. Also, net asset value, in other words the valuation of the real estate portfolio less debt, is very attractive at a level of € 12.22 per share. Our share is currently trading around 38 % below this value, however. This discount is definitely connected with the continued difficult situation on international financial markets. Nevertheless, we further expanded our investor relations activities last year, increased our reporting transparency, and reported key quarterly data in interim reports.

**Peter Schropp:** We also joined the European Public Real Estate Association (EPRA) last year. We hope that this will strengthen our visibility abroad as a leading real estate company, and that we will thereby gain further investors. We were nevertheless unable to decouple from the overall market, despite our company's sound position. But we are confident that our good work will be acknowledged, and that the share price will start to converge with its NAV in the medium term. We are conducting regular discussions with investors in Germany and abroad to this end. In view of an approximately € 161 million market capitalisation, and a 76.5 % free float, we are attractive for institutional investors.

### How can VIB Vermögen AG survive a phase of macroeconomic weakness, as is forecast for 2012?

**Ludwig Schlosser:** A weakening of the global economy will have comparatively minor effects on our business activities. We are not directly exposed to global macroeconomic trends due to our regional focus on the stable Southern German region. A good half of our rental agreements run for longer than five years, which makes us relatively independent of economic growth patterns. With all our properties, we also endeavour to ensure that they offer good potential for alternative utilisation, and we aim for a balanced diversification of types of utilization and sector. Our currently low vacancy ratio of 1.4 % reflects the very solid nature of our real estate portfolio.

**Peter Schropp:** Our combination of a clearly defined business model with an entrepreneurial approach must also comprise an important plus point during economically stormy times. We are guided by our corporate philosophy of being visionary, adopting an individual approach to projects, and of pursuing stability – while managing our business on a sound and sustainable basis. This approach has proved its worth over the past few years. Drawing on our many years of experience on the real estate market, we also command a strong and extensive network that serves as the basis for further growth.

### So where do you see risks for VIB Vermögen AG in 2012?

**Ludwig Schlosser:** One purely theoretical risk is a decline in the willingness of companies to invest, combined with greater vacancy risks over extended periods for forthcoming new rentals, or lower rent price levels. However, given that most of our existing properties have long-term leases, this risk only affects a limited proportion of our rental income. In order to further reduce this risk, the VIB Group aims to rent to tenants of high credit standing, and to ensure that its properties have the potential for good alternative utilisation. Tenants could also become insolvent, of course, feeding through to rent defaults. In order to address such risks at an early juncture, we have implemented a risk early identification and management system that includes all our subsidiaries. Project developments, such as our current one in Ingolstadt, could also be exposed to construction cost risks, or risks due to delays. We work together with general contractors with excellent credit ratings in order to combat these risks on larger construction projects. This largely ensures that project developments are completed within the planned time and cost parameters.

# Supervisory Board report

Dear shareholders,

With the capital increase in the first half of the past fiscal year, VIB Vermögen AG created the basis for a greater level of investment activity in the second half of the year. The € 66.6 million of investments that we realised cater for additional rental income, and consequently a continuation of the company's dynamic operating growth. The Supervisory Board attentively and extensively accompanied this development, thereby fulfilling during the reporting period the advisory and controlling functions incumbent upon it according to both the law and the company's articles of incorporation:

**Supervision of management and cooperation with the Managing Board**

Along with the continuous controlling of the management's work, the Supervisory Board regularly consulted with the Managing Board concerning on matters of company management. The Supervisory Board was always included in decisions of critical significance. The Managing Board's activities gave rise to no objections.

The Managing Board regularly informed the Supervisory Board both promptly and in detail about all topics concerning the company's business activities, particularly concerning its net assets, financial position and results of operations, as well as about various investment opportunities. The Supervisory Board Chairman was in frequent contact with the Managing Board, and was informed in detail about current and significant business transactions.

**Supervisory Board, meetings and resolutions**

A total of six Supervisory Board meetings were held in 2011, all of which were attended by all Supervisory Board members. At these meetings, the Managing Board informed the Supervisory Board extensively about the company's business progress. Important individual transactions, particularly potential real estate transactions, were also discussed at the meetings, and the resolutions that are required due to statutory provisions, or due to regulations contained in the company's articles of incorporation, were passed.

The proposed resolutions for the General Meeting on July 7, 2011 were approved at the meeting on April 7, 2011.

No committees were formed due to the size of the Supervisory Board in 2011.

**2011 annual financial statements and consolidated financial statements**

The Supervisory Board reviewed the annual financial statements as of December 31, 2011, which the Managing Board prepared according to German commercial law regulations, and discussed them, together with the report on the audit of the 2011 annual financial statements prepared by S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, at its meeting on April 13, 2012. The review of the 2011 annual financial statements led to no modifications. An unqualified audit opinion was issued. The annual financial statements as of December 31, 2011 were approved without objections, and are thereby adopted. The Supervisory Board concurs with the Managing Board's proposal concerning the application of unappropriated retained earnings.

The Supervisory Board also reviewed the 2011 consolidated financial statements, which the Managing Board prepared according to International Financial Reporting Standards (IFRS), and discussed them, together with the audit report prepared by S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg, at its meeting on April 13, 2012. The review of the 2011 consolidated financial statements led to no modifications. An unqualified audit opinion was issued. The Supervisory Board approved the consolidated financial statements as of December 31, 2011. At its meeting on April 13, 2012, the Supervisory Board also approved the proposed resolutions for the General Meeting on July 4, 2012.

The Supervisory Board is very satisfied with the commercial development of the VIB Group, and supports the Managing Board in its strategy of further expanding the commercial real estate portfolio on a selective and targeted basis.

We would like to extend our very sincere thanks to the Managing Board and to VIB Group staff for their committed and successful work last year.

Neuburg/Danube, April 17, 2012

On behalf of the Supervisory Board

Franz-Xaver Schmidbauer, Chairman

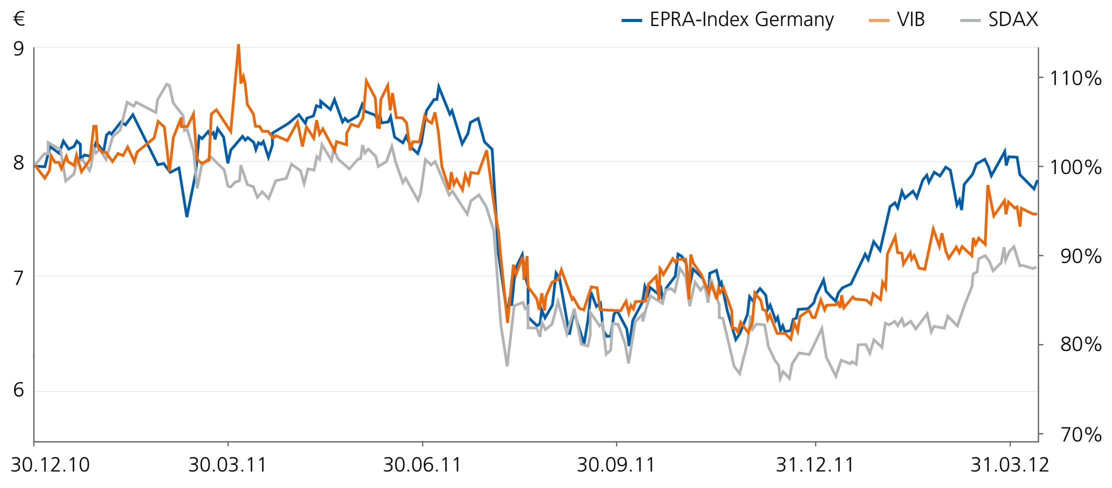
# VIB Vermögen AG – shares

## Key data

| | |
|---|---|
| German Securities Code (WKN) | 245751 |
| ISIN | DE0002457512 |
| Symbol | VIH |
| Number of shares in issue | 21,328,828 |
| Sector | Real estate |
| Stock exchanges/market segment | Munich/M:access/Open market<br>Frankfurt/Open Market |
| Share class | Ordinary bearer shares (no-par value) |
| Subscribed capital | € 21,328,828 |
| Notional value per share | € 1.00 |
| Net asset value (NAV) per share as of December 31, 2011 | € 12.22 |
| Consolidated balance sheet equity as of December 31, 2011 | T€ 240,828 |
| Dividend per ordinary share for the 2011 fiscal year | € 0.35* |
| Year-end share price | € 6.64 |
| Year-high share price (April 4, 2011) | € 9.02 |
| Year-low share price (November 29, 2011) | € 6.50 |
| Average daily share turnover | 16,661 shares |
| Market capitalisation on December 31, 2011 | € 141.6 million |

* Management's proposal

## Share price performance



The 2011 stock market year was strongly characterised by turbulence on financial markets, from which the VIB share also proved unable to decouple. The VIB share initially moved sideways during the first half of the year, in line with the price development of the SDAX and EPRA Index Germany indices. By the end of the first quarter, the stock then lept to its high for the year of € 9.02 on April 4. The share then relinquished its gains, apart from a brief rise in June. In July and August, the stock was finally dragged down by the general price slide on equity markets, falling from € 8.40 in early July to € 6.60 at the start of August. The shares subsequently consolidated at a level of around € 7.00, before reaching a low for the year of € 6.50 on November 29. At the same time, the VIB share outperformed the overall market during almost the whole of 2011, as shown by a look at the comparable EPRA Germany index. The EPRA index fell 20 % last year, while the VIB Vermögen AG share was down by only 17 %. The stock closed the year at € 6.64 as of December 31, 2011. This represents a market capitalisation of € 141.6 million. After the reporting period, the stock price continued to develop positively.

Trading volumes in the VIB share were up year-on-year during the reporting period, by contrast. A total of almost 4.3 million shares were traded on the XETRA trading platform last year. This is equivalent to average daily trading volume of around 16,661 shares per day (previous year: 14,200 shares per day).

**Dividend per share growth since 2006 (in €)**

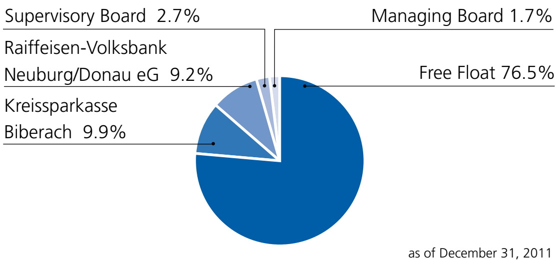

* Management's proposal

## Capital increase

In June 2011, VIB Vermögen AG performed a capital increase equivalent to 20 % of its share capital. The share capital of VIB Vermögen AG rose from € 17,771,870 to € 21,326,244** through issuing new shares. The issue price of the total number of 3,554,374 new ordinary bearer shares was fixed at € 8.00. The new shares, which carry a notional amount of € 1.00 each, are fully dividend-entitled for the 2011 fiscal year. Existing shareholders subscribe to 47 % of the capital increase as part of a non-public offering through exercising subscription rights in a 5:1 ratio. The remaining 53 % of the shares were offered to institutional investors for purchase as part of a private placing. These institutional investors' subscriptions were scaled back due to oversubscription. Gross issue proceeds of around € 28.4 million accrued to the company as a result of the transaction, which were deployed exclusively for further high-yielding investments.

** The share capital increased to € 21,328,828 as of December 31, 2011 due to the process of exchanging BBI shares for VIB shares that is still ongoing.

## Shareholder structure




The shareholder structure of VIB Vermögen AG reflects an optimal balance between free float and long-term investors. The free float comprises 76.5 % of the shares. After having gained Kreissparkasse Biberach as an additional major shareholder for the company in autumn 2009, the ownership structure has remained largely unchanged during the 2011 fiscal year. Along with Kreissparkasse Biberach with a voting rights share of around 9.9 %, a further long-term investor from the regional banking sector holds an interest in VIB Vermögen AG: Raiffeisen-Volksbank Neuburg/Danube eG, which has been a committed investor since the real estate holding company was founded. Its interest amounted to 9.2 % at the end of the period under review. The management also holds a 1.7 % interest in VIB Vermögen AG, while the Supervisory Board holds 2.7 % of the shares.

## Investor Relations

Listing of shares on the open market requires that companies comply with high standards in terms of open, concise and traceable communication. For this reason, VIB Vermögen AG lends especially high priority to active dialogue with analysts, investors, shareholders and the specialist press. Transparent, prompt and detailed reporting is intended to enable the interested public to form an extensive and realistic overall picture of the company, which is listed in the Open Market (Frankfurt Stock Exchange) and in the m:access segment (Munich Stock Exchange). Reporting transparency was further enhanced with the first-time publication in November 2010 of an interim report for the first nine months of the year. The company publishes all publications of relevance to the capital markets in both German and English in order to continue to expand the shareholder base abroad. The company also seeks regular contact with the financial community. For this reason, the Managing Board frequently holds one-on-one meetings with analysts and investors. VIB Vermögen AG attended numerous capital market conferences in 2011 (Best of Breed Silvia Quandt, 6th HSBC Trinkaus Real Estate Conference, SRC Forum Financials & Real Estate 2011, m:access analysts' conference, WestLB Property Day, MKK Munich Capital Market Conference). Regular roadshow events both in Germany and abroad formed a further focus of investor relations activities (Amsterdam, Brussels, Düsseldorf, Frankfurt, Cologne, Copenhagen, London and Stuttgart). These activities ensured a continuous information flow last year.

Reporting by VIB Vermögen AG was supplemented by investment studies published by the research companies SRC Research and Warburg Research, and studies by Baader Bank AG, edge capital, HSBC, Mirabaud and Petercam. Part of these documents can be downloaded from the company's website at www.vib-ag.de within the Investor Relations area.

## Financial calendar

| | |
|---|---|
| May 15, 2012 | Publication of the interim report Q1/2012 |
| May 24, 2012 | Participation m:access Analyst Conference in Munich |
| July 4, 2012 | Annual general meeting 2012 |
| August 9, 2012 | Publication of the 2012 semi-annual report |
| September 12, 2012 | Participation SRC Forum in Frankfurt/Main |
| September 27, 2012 | Participation Baader Investment Conference in Munich |
| November 14, 2012 | Publication of the interim report Q3/2012 |

## General Meeting

The Ordinary Annual General Meeting for the 2011 fiscal year was held for the first time in Ingolstadt on July 7, 2011. A total of 47.9 % of the voting-entitled share capital was represented. The General Meeting approved the agenda items with majorities of more than 96 % in all cases. Among other resolutions, the General Meeting approved the increase in the dividend from € 0.25 to € 0.30, which was distributed to shareholders on July 8, 2011. Further resolutions included the discharge of the Managing and Supervisory Boards, the application of 2010 unappropriated retained earnings, the selection of the auditor for the 2011 fiscal year, and the election of the Supervisory Board. Mr. Rolf Klug, Mr. Franz Xaver Schmidbauer and Mr. Jürgen Wittmann were re-elected to the Supervisory Board.

# VIB Group‘s real estate portfolio

## Overview

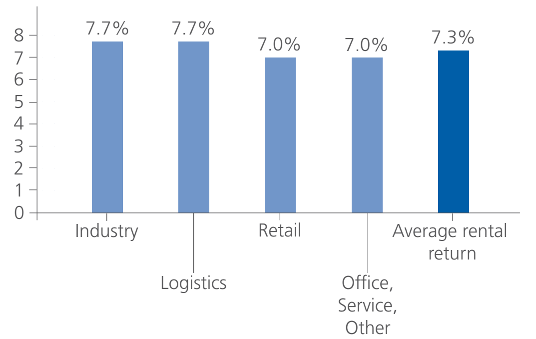
The VIB Group‘s real estate portfolio is distinguished by high profitability, and broad and balanced risk distribution. The VIB Group‘s portfolio consisted of 91 properties as of April 1, 2012, with a total rentable area of around 695,000 m². The vacancy rate is only around 1.4 %, reflecting the properties‘ quality, and the company‘s knowledge of tenant and market requirements.

### Key figures (as of April 1, 2012)

| | |
|---|---|
| Number of properties | 91 |
| Rentable area | approx. 695,000 m² |
| Annualised rental income | approx. € 48 million |
| Vacancy rate | approx. 1.4 % |

The market value of the real estate portfolio (including property under construction) amounted to around € 652.9 million as of December 31, 2011. Relative to market values, the rental yield on all of the VIB Group‘s rented properties stood at 7.3 % (status as of December 31, 2011 excluding new investments). Yields in the industrial area are particularly attractive at 7.7 %, and at 7.7 % in the logistics area. Besides this, retail properties generate rental returns of around 7.0 %. The attractiveness of the portfolio is rounded out by properties from the areas of offices, service-providers and others, which also generate average rental yields of 7.0 %. As a result, VIB Vermögen AG‘s portfolio combines high-yielding industrial and logistics properties with real estate objects from the retail and services areas that are distinguished by stable cash flows based on long-term rental agreements.

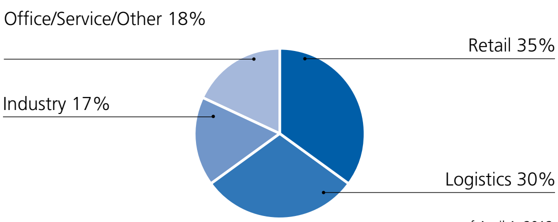
### Rental return by segment, based on market values




as of December 31, 2011

VIB Vermögen AG has greatly diversified its risk by distributing its properties relatively evenly across various segments. For instance, around 35 % of net rental income is generated through renting retail properties, whereas the logistics segment contributes 30 % to the company‘s rental income. Around 17 % of net rental income derives from the renting of industrial properties. Further 18 % is generated from the office, service-provider and other areas.

### VIB Group‘s real estate portfolio by net rental income per segment




as of April 1, 2012

Along with other factors, the solidity of the VIB Group's real estate portfolio is reflected in the high average residual duration of its rental agreements. Experience with agreements with short residual durations has shown that they are cancelled in only very few instances, and tend to extend automatically by the respective agreed duration, or to be converted into rental agreements of indefinite duration.

A further strength of the portfolio lies in its balanced tenant structure. One tenant is accountable for more than 10 % of total net rental income. This tenant, however, is an established operator of specialist gardening centres in Germany that holds a leading market position and has operated a successful business model for decades.

The VIB Group places a high priority on reviewing potential rental contract partners before entering into the respective rental contract agreements. As a consequence, the portfolio is distinguished by a very solvent tenant structure, thereby significantly reducing rental default risk. Around half of the tenant clientele comprises industrial and logistics companies, and commercially robust retail groups with strong credit ratings. The other half consists of a large number of tenants with which the company is also in close contact. Here, too, rental default risk is manageable due to such an approach.

**VIB Group's top 10 tenants**
(as of April 1, 2012)

| Tenant | Share of total net rental income | Locations |
|---|---|---|
| Licensse of garden-centres | 12.94 % | 15 |
| Rudolph-Gruppe | 7.80 % | 9 |
| Continental Automotive GmbH | 4.95 % | 2 |
| Loxxess-Gruppe | 4.85 % | 2 |
| Gillhuber Logistik GmbH | 4.71 % | 1 |
| BMW AG | 4.55 % | 2 |
| Edeka-Gruppe | 3.40 % | 9 |
| Faurecia Autositze GmbH | 2.94 % | 3 |
| Lidl-Schwarz-Unternehmensgruppe | 2.67 % | 3 |
| Scherm Tyre & Projekt Logistik GmbH | 2.13 % | 2 |
| Other | 49.06 % | - |
| **VIB Group total** | **100.00 %** | |

## Real estate locations

## **New investment** (transferred to VIB Vermögen AG until April 1, 2012)

1

### Großmehring

| | |
|---|---|
| Type of use: | Logistics |
| Rental area: | 4,570 m² |
| Investment volume: | € 2.6 million |

2

### Moosburg

| | |
|---|---|
| Type of use: | Retail |
| Rental area: | 2,690 m² |
| Investment volume: | € 4.4 million |

3

### Mühldorf

| | |
|---|---|
| Type of use: | Retail |
| Rental area: | 3,150 m² |
| Investment volume: | € 4.8 million |

4

### Regensburg businessPARK

| | |
|---|---|
| Type of use: | Office/ Service |
| Rental area: | 3,790 m² |
| Investment volume: | € 5.8 million |

5

### Scheßlitz

| | |
|---|---|
| Type of use: | Logistics |
| Rental area: | 8,370 m² |
| Investment volume: | € 4.5 million |

6


### Schwäbisch Gmünd

| | |
|---|---|
| Type of use: | Logistics |
| Rental area: | 16,400 m² |
| Investment volume: | € 11.3 million |

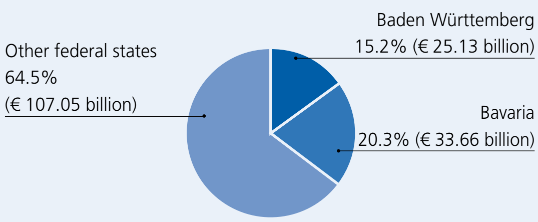
## Real estate locations

In geographic terms, VIB Vermögen AG concentrates on the Southern German region. This is one of Germany's highest-growth regions, with a high level of economic prosperity, a heterogeneous economic structure, and a location at the centre of Europe that enjoys favourable transportation connections. This region's socio-demographic trends are also extremely beneficial compared to the rest of Germany. These advantages reduce any potential risk factors, and enhance the stability of the real estate portfolio's value. In addition, VIB's management has a strong network in place in this region. Long-standing, personal and trust based contacts allow the company's management to take advantage of market opportunities at an early stage – thereby representing a significant competitive advantage.

## Information box: Southern German real estate market

The South German region comprises one of Germany's most attractive real estate markets – thanks to a number of several factors. Firstly, Baden-Württemberg and Bavaria are the most economically successful federal states in Germany. The lowest unemployment rates in Germany of 4.0 % and 3.8 % in 2011 were accompanied by high growth rates of 5.6 % and 3.9 % in the first half of 2011 (price-adjusted data provided by the „Macroeconomic Accounts for the German Federal States" working group), high productivity and strong innovation in future-oriented sectors. Purchasing power per inhabitant in Bavaria and Baden-Württemberg stood at approximately € 21,000 in each case (according to data provided by the GfK market research company), thereby comprising the highest in Germany along with the states of Hesse and Hamburg. Good overall economic data are an additional reason why this region reports a significantly more positive demographic trend than the rest of Germany. While the population is set to decline in eastern and central Germany over the coming decades, population growth is expected for Bavaria and Baden-Württemberg, according to the German Federal Institute for Population Research. These aspects, along with favourable transportation connections from a central location within Europe, with adjoining frontiers to Eastern Europe translate a strong demand for commercial properties – both office and retail areas, as well as logistics properties.

**Transaction volume per federal state (share in %, in € billion)**




Source: Immobilienverband Deutschland IVD

## Portfolio development

Following a year of consolidation, 2011 was again characterised by major investment activity. This was particularly due to the capital increase that was implemented successfully in the first half of 2011, which generated € 28.4 million of gross issue proceeds for the company. This enabled the company to acquire logistics and wholesale/retail properties with a volume of more than € 66 million, thereby further boosting the company's profitability.

The project in Grossmehring, entailing a € 2.6 million investment volume, was completed and handed over in early 2011. Some of the proceeds from the capital increase were invested in the construction of a production and logistics centre in Ingolstadt, which VIB Vermögen AG is realising together with a subsidiary of the city of Ingolstadt under the umbrella of joint company ISG Infrastrukturelle Gewerbeimmobilien GmbH. VIB Vermögen AG holds a 75 % interest in this company. The project is planned to be finished by the second quarter of 2012. The property is fully rented for ten years. Construction work started on two further properties on existing land areas in Baunatal and Neuburg/Danube in the second half of 2011. The rental agreements for both properties have also been signed already, and both properties will be completed in the first half of 2012. The investment in Baunatal amounts to around € 3.1 million, and to approximately € 2.9 million in Neuburg/Danube. The company acquired already completed properties in Schesslitz, Schwäbisch Gmünd and Regensburg. These properties also have no vacancies, and their rental contracts carry medium- to long-term durations. The purchase in Regensburg comprises the completion of the businessPark in Regensburg, which VIB Vermögen AG now owns in its entirety. The company acquired two logistics properties in Schesslitz and Schwäbisch Gmünd both of which have been rented to renowned logistics companies. The investment volume in Regensburg stood at € 5.8 million, in Schesslitz at € 4.5 million, and € 11.3 million was invested in Schwäbisch Gmünd.

The company's subsidiary BBI Bürgerliches Brauhaus Immobilien AG acquired two specialist retail centres in Mühldorf am Inn and Moosburg an der Isar in December, with an investment volume totalling € 9.2 million. Both properties are fully rented to renowned tenants such as Edeka, Lidl and dm Drogeriemarkt. The rental contracts run between three and eight years.

Once all the projects have been completed, and the properties have been transferred to the VIB Group real estate portfolio, the annualised net rental income from the entire portfolio will total approximately € 50 million. The new investments will transfer with economic effect this year, apart from Grossmehring, which was already transferred in spring 2011.

As part of portfolio optimisation, BBI Immobilien AG sold a plot of land in Ingolstadt at a market value of € 4.6 million. A reserve piece of land held through the subsidiary IVM Verwaltung GmbH was already sold in 2010. The € 5.2 million purchase price was paid in line with the purchase agreement in January 2011, and largely served to repay the loans originally taken out to finance the land purchase.

The Group will continue to focus on its growth strategy this year. In parallel, it remains VIB Vermögen AG's declared objective to optimise the existing portfolio through further restructuring and targeted individual investments, and to additionally improve its profitability. In this context, great priority will be given to adhering to stringent investment criteria, and to maintaining the Group's financial stability.

## Real estate portfolio financing

In the financing strategy for its real estate portfolio, VIB Vermögen AG takes a conservative approach that emphasizes stability and sustainability. Guiding principles in this context are the ability to secure long-term external financing while maintaining a solid equity ratio. The loan-to-value ratio of the Group's property portfolio stood at around 57.6 % as of December 31, 2011, a clear indication of its conservative approach.

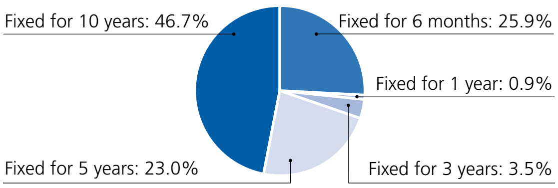
Stability and security are also the primary priority for the Group in procuring outside capital. The company primarily enters into annuity loans, for example. An annuity loan is a loan with fixed repayment instalments over its entire term. The annuity instalment to be paid by the loan recipient comprises both a redemption and interest component. As the loan is repaid step by step, the interest portion of the annuity decreases and the loan repayment portion increases. This enables VIB Vermögen AG to steadily elevate the company's net asset value (NAV). Annuity loans offer numerous advantages over other types of loans. By negotiating fixed instalments over the entire term of the loan, this type of debt financing allows companies to accurately forecast future cash flows. Borrowers can also calculate the exact amount of remaining debt and see it gradually decrease over time. In addition, annuity loans typically have long terms, which means that monthly repayments can be kept relatively low. This type of debt financing does not require renegotiation to extend the term of a loan. Instead, the parties need only to agree a new interest rate once a certain period of time has elapsed. In the past fiscal year, the VIB Group benefited from the low level of interest rates when concluding new interest-rate agreements. By predominantly concluding annuity loans, risks connected with financing can be minimised to the interest rate level.

As a result, VIB Vermögen AG's solid financing structure enables very good access to favourable funding terms. The company continued to cultivate relations with banks in the year under review, and both German and foreign banks approached VIB Vermögen AG with attractive lending offers.

The advantages VIB Vermögen AG's financing strategy offer are apparent when we look at growth in net asset value (NAV). Since 2005, the Group's net asset value has more than tripled, rising from € 78.1 million to currently € 260.7 million. VIB Vermögen AG's NAV has reported consistent growth in line with the portfolio's strong growth over the past three fiscal years, and through the deployment of a high level of equity, and the continuous repayment of finance debt. The company achieved NAV of € 12.22 per share at the end of the fiscal year 2011 (2010: € 12.36).

In its negotiations on fixed-interest periods, the VIB Group focuses on sustainability and stability, combining these with attractive loan terms. In this context, the loans are generally free of covenant agreements, and mostly structured as annuity loans. Roughly 70.0 % of the Group's loans have a fixed-interest period of between five and ten years. More than 46 % even have fixed interest rates for more than five years. This creates security relating to future expected interest payments. Thanks to the low interest rates in fiscal year 2011, the company was able to benefit from attractive terms for its loans with a fixed-interest period of less than one year. The VIB Group kept its overall interest expenses lower thanks to a majority of long-term fixed-interest periods combined with the favourable rates currently available for short-term fixed-interest periods. The average interest rate for the total borrowing portfolio stood at 4.50 % as of December 31, 2011.

## Structure of loans by remaining period of interest-rate fixation




as of December 31, 2011

# KPIs

### Loan to value (LTV) – debt to the value of the assets (Calculation of December 31, 2011)

in € thousand

| | | | |
|---|---|---|---|
| Investment property | 652,855 | 328,567 | Non-current financial debt |
| Property, plant and equipment | 514 | 76,282 | Current financial debt |
| Financial assets | 3,105 | -27,001 | Bank balance |
| **Real estate assets** | **656,474** | **377.848** | **Financial liabilities (net)** |
| **LTV ratio** | **57.56 %** | | |

### Funds from operations (FFO) – indicates the portfolio's earnings strength

| in € thousand | 2011 Group | 2010 Group |
|---|---|---|
| **EBIT** | **38,507** | **35,441** |
| Adjusted for: | | |
| Other operating income (non cash-effective) | 0 | -1,348 |
| Changes in value for investment properties | -326 | 2,299 |
| Changes in value for currency (Changes in market value) | 298 | 1,658 |
| **Subtotal** | **38,479** | **38,050** |
| Interest cost and similar expenses | -18,496 | -18,821 |
| Other interest and similar income | 301 | 62 |
| Income from equity-accounted investments | -26 | -538 |
| Guaranteed dividend | -245 | -247 |
| **Subtotal** | **20,013** | **18,506** |
| Effective tax expense | -983 | -561 |
| **Subtotal** | **19,030** | **17,945** |
| Minority interests | -212 | -802 |
| **FFO** | **18,818** | **17,143** |
| | | |
| Average number of shares in fiscal year | 19,856,626 | 17,742,567 |
| **FFO per share** | **0.95 €** | **0.97 €** |
| | | |
| Stock market price at end of fiscal year | 6.64 € | 7.96 € |
| **FFO return (based on the stock market price; as of Dec. 31)** | **14.31 %** | **12.19 %** |

# Statements of tenants

## *Bayerische Motoren Werke Aktiengesellschaft (BMW)*

*»It's important for us to have a partner at our side – VIB Vermögen AG – that has many years of experience in the region's real estate market, allowing it to offer tailored commercial properties. The logistics property in Wackersdorf met our requirements precisely. We benefit from a location that enjoys favourable transportation connections, directly adjoins the innovation park, as well as featuring an optimal infrastructure. This allows us to concentrate on our core business.«*

## *Ciba Vision Vertriebs GmbH*


*» As a tenant, it's very important for us that we have a landlord that plays a role above and beyond pure renting. We always feel well looked after by VIB Vermögen AG. Not least, this was evident in the way we cooperated smoothly in the construction of the canteen, and the restructuring of the facade at our Grossostheim location. «*

## Rudolph Logistik Gruppe GmbH & Co. KG

*»As the tenant of several logistics properties, we have had VIB Vermögen AG at our side as a very reliable partner since 2006. They have implemented further expansions of our locations together with us. The way VIB Vermögen AG rapidly implemented new logistics buildings to schedule, and has provided intensive service to us over all these years, has confirmed and strengthened the confidence we have invested in this firm. Both companies have clearly benefited from our partnership.«*

## Loxxess AG

*»Many years of successful corporation with VIB Vermögen AG form the basis of our mutual trust. This prompted us to recently agree an early renewal of the rental agreement for our site in Neuburg / Danube for a further ten years. Along with a business relationship that reaches back over many years, it's also important for our long-term planning to be able to count on a reliable landlord conducting its business on a sustainable basis. In view of its sound business approach, VIB Vermögen AG is precisely the right partner for us.«*


Neuburg/Danube

Neuburg/Danube


Neuburg/Danube

# Group management report

## Overview

# Group management report for fiscal year 2011

## Business report

### 1. Company situation and underlying conditions

#### a. Business activities, Group structure and participations

VIB Vermögen AG (hereinafter also referred to as the „VIB Group" or the „company") is the parent company of the VIB Group, and is a medium-sized real estate company whose investments focus on commercial properties in Southern Germany. Formed as a partnership in 1993, VIB Vermögen AG was transformed to become a German public limited company (Aktiengesellschaft) in 2000. The VIB Group's core competences are in the acquisition, development and management of its own properties and participating interests in companies with real estate portfolios. The VIB Group pursues a develop-or-buy-and-hold strategy in this context. It acquires portfolio properties and also develops properties for its own portfolio, in order to then include these as portfolio properties over the long term. The VIB Group's portfolio comprises a total of 87 properties with a total rental area of around 661,000 m², including various logistics properties and industrial facilities, shopping centres and specialist stores, as well as commercial centres and service complexes. VIB Vermögen AG manages the real estate portfolio through its wholly-owned subsidiaries Merkur GmbH and BBI Bürgerliches Brauhaus Immobilien AG (BBI Immobilien AG).

VIB Vermögen AG and its listed subsidiary BBI Immobilien AG concluded a profit-and-loss transfer agreement on May 6, 2008. Accordingly, VIB Vermögen AG has undertaken to pay the freefloat shareholders of BBI Immobilien AG a reasonable monetary compensation (guaranteed dividend) of € 0.64 (gross) per ordinary share for the duration of this agreement as a repeat annual payment. As an alternative to paying compensation, VIB Vermögen AG undertakes, upon request by the shareholder, to acquire their ordinary shares in BBI Immobilien AG at a conversion ratio of 8.02 to 11.62, in other words, against compensation in shares in the amount of 1.45 ordinary shares in VIB Vermögen AG per ordinary share in BBI Immobilien AG. A resolution by the General Meeting on June 26, 2008 created conditional capital of up to € 1,356,114.00 for this share swap. As of December 31, 2011, this conditional capital still amounted to € 665,660 as a result of the shares exchanged in 2011.

The deadline for acceptance of the compensation offer (exchange of shares) is generally two months after publication of the compensation offer. The compensation offer was published on March 3, 2009. There is also currently litigation pending for VIB Vermögen AG with regard to the level of the exchange ratio and the guaranteed dividend. The conversion deadline will consequently not end before this pending litigation has been concluded. It is currently impossible to foresee a precise date.

VIB Vermögen acquired a majority interest in BBI Immobilien AG in 2007. The company indirectly holds 35.5 % of the shares of its subsidiary, BHB Brauholding Bayern-Mitte AG (BHB Brauholding AG), which was founded in November 2009.

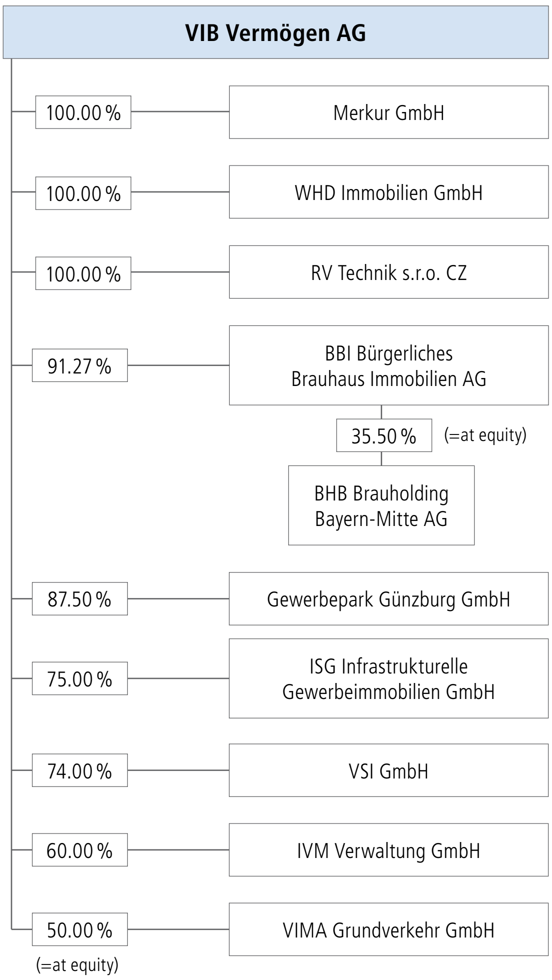
The city of Ingolstadt acquired 25 % in RC Golfhotel GmbH as part of a joint project development. After being renamed ISG

Infrastrukturelle Gewerbeimmobilien GmbH, its subscribed capital was topped up to € 5.0 million.

In the year under review, VIB Vermögen AG also founded WHD Immobilien GmbH with € 0.2 million of subscribed capital.

As a consequence, the number of companies in which VIB Vermögen AG held direct or indirect interests as of the end of 2011 increased from nine to ten (excluding subsidiaries of BHB Brauholding Bayern-Mitte AG). As a result of the amount of the participations, two of these companies are not fully consolidated.

### Overview of participating interests as of December 31, 2011




## b. Employees

As of December 31, 2011, the number of VIB Group employees in the commercial area was unchanged at a total of 19 (previous year: 17; excluding both Managing Board members), and the Group employed 12 industrial staff (previous year: 12). The industrial employees are mostly caretakers and cleaners (mostly part-time employees), who are hired to manage individual properties. The resulting expenses are oncharged to the respective tenants as part of the settlement of incidental costs.

## c. Real estate portfolio development

As of December 31, 2011, the real estate portfolio of the VIB Group consisted of a total of 87 commercial properties with a total rentable area of around 661,000 m² (previous year: 86 properties, around 658,000 m²). The properties' locations are concentrated geographically on the high-growth region of Southern Germany. Individual real estate locations outside the Southern German region were added due to tenants of many years standing expanding their business into the rest of Germany. The approximately 1.4 % vacancy rate highlights the great attractiveness of the VIB portfolio in this context. The annualised rental income of the entire real estate portfolio amounted to approximately € 44.7 million as of December 31, 2011, with 35.7 % being attributable to the retail area. A further 27.4 % derives from the renting of logistics properties, while the office, service and other segment contributed 18.7 %. Finally, 18.2 % of net rental income derives from industrial sector rentals. This creates a broad and diversified basis for rental income that reduces the VIB Group's dependency on specific developments in individual sectors.

The portfolio's market value amounted to around € 652.9 million as of December 31, 2011 (including property under construction and reserve land). In this context, the rented properties generated an average rental yield of 7.3 % on the basis of market values surveyed as of December 31, 2011.

By contrast with the previous year, the period under review was characterised by a greater level of investment activity. This was particularly due to the capital increase that was successfully realised in the first half of 2011, which generated € 28.4 million of gross issue proceeds for the company. This enabled the company to acquire further logistics and retail properties, thereby enhancing the company's profitability.

For instance, the logistics property in Grossmehring was completed last year with an investment volume of € 2.6 million, and transferred to the tenant. We have also started further newbuild projects in Baunatal (€ 3.1 million) and Neuburg/Danube (€ 2.9 million). One property in Baunatal near Kassel entails the construction of a logistics property on an existing plot of land. The second project comprises the creation of a logistics plant in Neuburg/Danube. Rental agreements have already been signed for both properties; they will be transferred to the portfolio prospectively in 2012.

Together with a subsidiary of the city of Ingolstadt, VIB Vermögen AG is also developing a production and logistics centre in Ingolstadt entailing an investment volume of around € 27.2 million and a total rentable area of around 21,300 m². A company has been founded in order to realise the project in which VIB Vermögen AG holds a 75 % majority interest, and in which a subsidiary of the city of Ingolstadt holds a 25 % interest.

VIB Vermögen AG acquired a newly constructed logistics property in Schwäbisch Gmünd in October 2011. The property, with an investment volume of € 11.3 million, generates an annual rental yield of 7.7 %. The first rental payment was made in December 2011. The contract carries a 15-year duration, and includes an option for five years. In December, VIB Vermögen AG at Group level also acquired four further properties with a total investment volume of € 19.4 million. These new acquisitions generate additional rental income of € 1.7 million per year, which corresponds to an annual 8.8 % return. The company is strengthening its logistics segment with the purchase of the logistics property in Schesslitz near Bamberg. A logistics services provider that operates internationally is the long-term tenant of this property, which offers a rentable space of 8,370 m², and which boasts very good connections to the European long-distance motorway network. VIB Vermögen AG also acquired a further section of the businessPark Regensburg with a total rentable space of 3,790 m². Following the payment of the purchase price in January 2012, the company fully owns the complete centre, which comprises office and commercial areas for 50 tenants. In 2012, the subsidiary BBI Immobilien AG transferred to its portfolio both of the other properties acquired in December. These comprise two further specialist retail centres in Mühldorf/Inn, and in Moosburg/Isar. Both properties, with a rentable space of 3,150 m² and 2,690 m², have been fully rented to renowned tenants such as Edeka, Lidl and dm Drogeriemarkt. The rental contracts run between three and eight years.

As part of portfolio optimisation, VIB Group also sold a plot of land in Ingolstadt at its carrying amount of € 4.6 million.

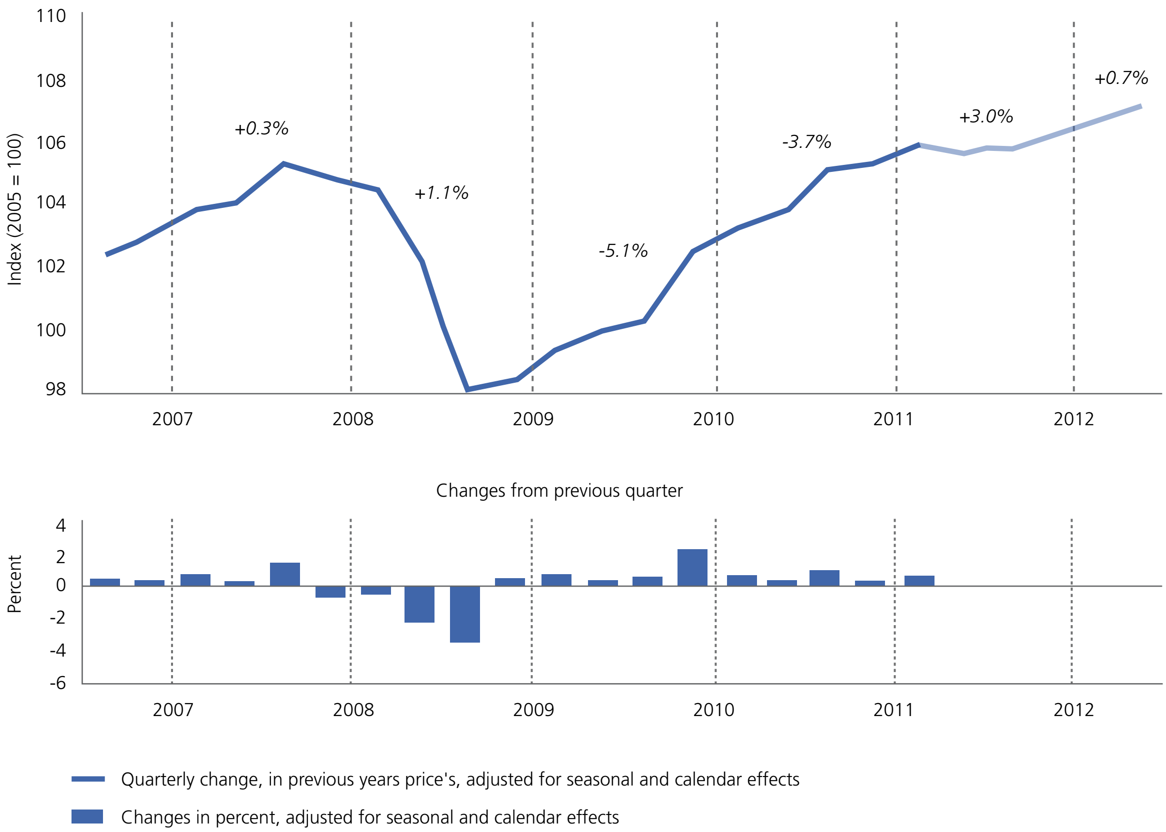
### d. Market and competitive environment

The first half of 2011 was characterised by overall positive economic trends in Germany. Price-adjusted GDP grew by 3.0 % compared with the already strong previous year (3.7 %), according to data provided by the German Federal Office of Statistics. This growth was driven firstly by a high level of exports, which were up by 11.4 % year-on-year to a record figure of € 1,060 billion, thereby surpassing the trillion euro level for the first time, according to the German Federal Office of Statistics. Compared with recent years, brisk domestic demand and vigorous construction activity also made a contribution to the positive economic trend. Especially in the construction sector, investment growth of 5.4 % (German Federal Office of Statistics) is to be assessed positively, particularly since the sector was affected by a very severe winter at the start of the year. Private and state consumption spending was up by 1.5 % and 1.2 % respectively in 2011 on a price-adjusted basis, according to figures provided by the German Federal Office of Statistics. Even given the emerging global economic cooling, citizens' propensity to spend remained stable year-on-year during the final months of the year, registering 5.6 on the December reading of the consumer climate index produced by the GfK market research group. Continued inflation with monthly inflation rates of over 2 % (according to the German Federal Office of Statistics) since the start of the year has hardly dampened this propensity to consume. In particular, the very gratifying trend on the employment market created the requisite confidence in this context. Despite an economic environment that is becoming increasingly difficult, unemployment in December 2011 rose only slightly compared with the previous quarter, rising only slightly to a rate of 6.6 %, according to the German Federal Employment Agency. Overall, Germany benefited from the good structural conditions that are being created over recent years, and was consequently Europe's growth motor.

Economic cooling both in Germany and worldwide nevertheless set in towards the end of the year. Fourth-quarter economic growth fell by 0.2 % compared with the previous quarter, for instance. This was particularly due to the European state debt and confidence crisis, and the weaker global economic trend, which could also impact economic growth beyond the year-end. For this reason, economic experts from the German Institute for Economic Research (DIW Berlin) now anticipate growth of only 0.6 %. The Ifo Institute for Economic Research even expects economic growth to be as little as 0.4 %. Domestic consumption should replace exports as the driver of economic growth in 2012 in this context, according to the Munich-based economic research experts.

Given the initially positive economic trend in Europe, the European Central Bank raised its key interest rate from 1.0 % to 1.5 % in two phases up to mid-2011, before reducing it again to its historic low of 1.0 % in two steps towards the end of the year, particularly because of the economic weakness of southern Eurozone countries. The EU states are currently attempting to prevent a repeat of the debt crisis, and to regain markets' confidence, with statutorily fixed borrowing limits, and binding penalties when states fail to comply with debt limits agreed at EU level.

## Development of gross domestic product in Germany (price adjusted)




Source: Federal Ministry of Economics and Technology: 2012 Annual Economic Report (2012)

The overall positive economic circumstances in Germany also affected the real estate market last year. As already in the previous year, greater demand was registered for commercial property in 2011. After the third quarter of 2011 had already reported the highest result since the first quarter of 2008 for a three-month period with around € 6 billion of transaction volumes, the final quarter produced figures that were only slightly below those of the previous quarter, according to the real estate experts at Jones Lang LaSalle. As a consequence, commercial property transactions amounted to € 23.5 billion over the whole of 2011, representing a 22 % year-on-year increase (Jones Lang LaSalle). Transaction volumes would have been even higher if the supply of commercial properties had not remained restricted. These circumstances failed to prevent foreign investors from making greater investments in German real estate again. Foreign investors accounted for 40 %, or € 9.3 billion, of the transactions, according to Jones Lang LaSalle. This highlights the attractiveness of the German commercial real estate market. Large-volume retail properties, in particular, encountered demand from investors from abroad in this context. This segment also remains the most sought-after with a total of € 10.6 billion (45 % of total volume), and even reported significant growth of 39 % compared with 2010. As a consequence, retail properties rank clearly ahead of office properties (€ 7.1 billion, 30 %, previous year: 40 %), mixed-use properties, and other commercial properties, with a transaction volume of € 2.4 billion, or 10 %, in each case. Logistics and industrial properties enjoyed a 5 % share, or € 1.2 billion, of commercial real estate transactions. Along with the foreign group of investors, which BulwienGesa believes is responsible for almost 35 % of transactions (by contrast with Jones Lang LaSalle at 40 %), other investors, with an almost unchanged share of almost 26 %, were strongly represented in Germany. This group particularly comprises project developers and private investors.

Although closed-end pension funds just defended their third position at around 11 %, they nevertheless relinquished around eight percentage points compared with 2010. Specialised funds had a share of around 12 % (2010: 13 %), and insurance companies and pension funds were unchanged at 9 %. Similarly to the close-end real estate funds, open-end real estate funds, at 5 % in 2011, were involved in just half of the transaction level that they were in the previous year. Real estate public stock corporations, such as VIB Vermögen AG, and REITS were involved in around 3 % of commercial real estate purchases and sales, as in 2010.

Rising demand for commercial properties, and the low level of construction activity in this area over recent years, also catered for higher rents. Having already registered increases in 2010, rents rose further in 2011. For example, the real estate experts from DG HYP für Handelsimmobilien are assuming that rents will rise by 2 % in top locations. Moderate growth continues to be forecast for office property rents, having dropped by 1 % in 2010. This estimate is also underpinned by the BulwienGesa real estate index. It foresees a moderate rent increase of 1.6 % for commercial properties, with retail rents in 1a locations even rising by an average of 2.5 %, although office rents are set to increase by just 1.3 %. In the office segment of the commercial real estate market, a low level of new construction activity in 2012 is expected to be accompanied by a reduction of vacancies and moderate rent increases. The improved propensity to consume will also feed through to positive developments for retail properties in 1a locations, which could reach their peak by the end of 2012 according to the real estate specialist from BulwienGesa.

Developments on the German commercial real estate market this year will depend primarily on how rapidly the economy in Germany, Europe and worldwide returns to a sustainable growth path. Generally optimistic sentiment prevails on the real estate market according to some leading indicators. Real estate sector specialists nevertheless gauged the situation in January 2012 as significantly more positive than in December 2011 in terms of the Deutsche Hypo real estate sector index – the real estate climate sub-index climbed by 18 % to 140.9 points. The real estate experts from Jones Lang LaSalle are generally assuming that transaction levels can be held in 2012.

DG HYP identifies good growth prospects for the Bavarian real estate market for the coming years due to its good education system, attractive jobs, and stable immigration. The bank's real estate experts expect demand to continue to grow for office and retail properties in Bavaria's major cities. The real estate bank also anticipates that rents will rise further in 2012 given the favourable overall conditions.

### e. Corporate targets and strategy

Following a year of consolidation, 2011 was again characterised by major investment activity on the part of VIB Vermögen AG. Properties worth a total of approximately € 66 million were developed or acquired. While properties worth € 22.1 million were already added to the portfolio in the year under review, transfer of ownership for five properties with a volume of € 30.2 million occurred in the first two months of 2012. These will be followed by around € 13.7 million of investments by the end of the first half of 2012. This activity is due to the capital increase in the summer. Selected and targeted acquisitions by the company this year should also generate sustainable growth. In parallel, the existing portfolio is to be constantly optimised through individual measures, and is to be further improved in terms of profitability. Preserving the Group's financial stability enjoys strategic priority in this context, however.

In order to achieve these objectives, the VIB Group will continue to focus its business and investment activities on the high-growth Southern German region in the future. The following stringent investment criteria apply in this context:

- Commercial properties in locations with good economic forecasts
- Investment volumes of up to € 40 million per property
- Average rental yield from 7.5 % per annum (in relation to acquisition costs)
- Long-term rental agreements with tenants with strong credit ratings
- Good potential for alternative use

The consistent adherence to these stringent criteria ensures sustainable and profitable growth for the VIB Group. When expanding its real estate portfolio, the company focuses on high-yield retail, industrial and logistics properties in order to retain its cost-efficient portfolio structure. Administrative expenses and related costs can be held at a low level through giving preference to renting to renowned anchor tenants with high credit ratings. The VIB Group also benefits from its many years of experience, and the management's extensive real estate sector network. Overall, the VIB Group commands a very good basis for broad risk diversification that is accompanied at the same time by an attractive rental yield on its real estate portfolio.

## 2. Comments on business results, and analysis of the net assets, financial position and results of operations

### a. Earnings

VIB Vermögen AG reported another successful fiscal year in 2011. Revenue was up by 1.1 % to € 52.4 million due to higher rental income generated by targeted investments in the real estate portfolio (2010: € 51.8 million). The revenue item includes rents and ancillary rent payments from portfolio properties. The continued revenue growth was particularly due to new investments, including the commercial property in Grossmehring, which generated a full stream of rental income for the first time in the 2011 fiscal year. The real estate portfolio's earnings potential was also boosted by various renovation measures. Other operating income fell to € 0.7 million, by contrast (previous year: € 2.8 million). This primarily comprises income from insurance compensation payments, land sales, and tenants' cost reimbursements. Total operating revenue stood at € 53.1 million (2010: € 54.6 million).

The market valuation of the real estate portfolio as of December 31, 2011, generated positive effects. Whereas impairment losses to the real estate portfolio exceeded valuation increases by € 2.3 million in the 2010 fiscal year, a positive balance of valuation changes to investment properties of € 0.3 million arose in the past fiscal year. VIB Vermögen AG reduced its expenses for investment properties by around € 0.1 million to € 10.8 million, despite expanding its real estate portfolio. These expenses primarily comprise costs for renovation and maintenance measures, and operating costs relating to properties. An improved cost structure is reflected in a lower level of personnel expenses, which were down by € 0.4 million year-on-year to € 2.0 million. First-time additions to pension provisions were included in this item in 2010. Overall, VIB Vermögen AG enjoys an extremely streamlined organisational structure on a sector comparison, with a correspondingly low cost level. The company also reduced its other operating expenses. This item, which stood at € 1.9 million (2010: € 3.4 million), largely includes operating and administrative expenses. In the 2011 fiscal year, this item particularly contained costs arising from the valuation of loans denominated in Swiss francs (€ 0.3 million), and legal and consulting costs.

After taking into account amortisation and depreciation, which fell slightly to € 0.1 million in the period under review, earnings before interest and tax (EBIT) reported a significant increase of 8.7 %, rising from € 35.4 million in the previous year to € 38.5 million. The resultant EBIT margin of almost 72.6 % (2010: 65.0 %) in relation to total operating revenue underscores the operating business's profitability.

### Profitability

| in € thousand | 2011 | 2010 | Change |
|---|---|---|---|
| Revenue | 52,373 | 51,806 | 1.1 % |
| Total operating revenue | 53,056 | 54,557 | -2.8 % |
| EBIT | 38,507 | 35,441 | 8.7 % |
| Earnings before tax (EBT) | 18,950 | 12,825 | 47.8 % |
| EBIT margin | 72.6 % | 65.0 % | - |
| Consolidated net income | 15,271 | 16,914 | -9.7 % |
| Earnings per share | 0.76 € | 0.91 € | -16.5 % |

The slight year-on-year improvement in the profit/loss from investments accounted for using the equity method stood at € -0.03 million in the 2011 fiscal year (previous year: € -0.5 million). This arises particularly for the interest in VIMA Grundverkehr GmbH. The expense arising from the measurement of financial derivatives amounted to € 1.1 million in the period under review, and derives from a CHF-based swap transaction for the subsidiary BBI Bürgerliches Brauhaus Immobilien AG dating back to 2006. Of this amount, € 0.7 million was cash-effective.

Due to the decision taken by the Swiss National Bank in August 2011 to maintain a minimum rate of CHF 1.20 to the euro, and the related sustained weakening of the Swiss franc, this liability at the end of 2011 required adjustment to a lesser extent than planned during the course of the year. For the coming months, VIB Vermögen AG assumes a Swiss franc exchange rate at the level of the minimum rate of CHF 1.20/euro or higher. Consequently, the risk should be fully covered with the current level of the liability. The net interest result amounted to € -18.2 million (previous year: € -18.8 million). This improvement is due to the advancing redemption of loans, and the low interest-rate level, particularly for short-term loans. The company generated earnings before tax (EBT) of € 19.0 million in the period under review after taking into account the almost unchanged expense for the guaranteed dividend of € 0.2 million for outstanding shareholders of the subsidiary BBI Immobilien AG. This represents a 47.8 % year-on-year increase.

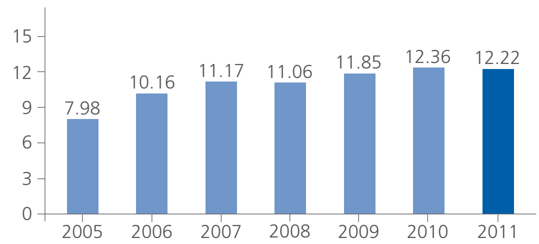
Whereas changes to the calculation basis for deferred trade tax for the Group subsidiary BBI Immobilien AG generated a positive tax result of € 3.7 million in the 2010 fiscal year, the income tax expense amounted to € 3.7 million last year without this special effect. Of this amount, € 1.0 million was attributable to effective taxes, and € 2.7 million to deferred tax effects. As a consequence, the Group generated consolidated net income of € 15.3 million, representing a 9.7 % decline compared with the previous year (€ 16.9 million), and corresponding to € 0.76 of earnings per share (2010: € 0.91).

## b. Net assets

Total assets were up by almost € 30 million to € 686.8 million due to the investment activity and capital increase of VIB Vermögen AG last year. The increase in subscribed capital from € 17.8 million to € 21.3 million results from the capital increase during the period under review.

The share premium account also increased from € 99.1 million to € 123.7 million due to the issue proceeds. Retained earnings increased by € 1.9 million to € 50.1 million due to earnings retention. Equity was significantly higher at € 240.8 million (previous year: € 203.8 million), when taking into account the higher level of net retained profits of € 44.3 million (2010: € 36.4 million), a negative effect due to the increase in the cash flow hedge reserve, and the higher proportion of minority interests due to the founding of the joint subsidiary ISG Gewerbeimmobilien GmbH with the city of Ingolstadt. This corresponds to a 35.1 % equity ratio, compared with 31.0 % as of December 31, 2010.

**NAV per share (in € )
change since December 2005**




The total of current and non-current financial liabilities reduced from € 453.4 million as of the previous year's reporting date to € 446.0 million due to scheduled and unscheduled redemptions of bank borrowings. In this context, non-current liabilities with an 81 % share (previous year's reporting date: 84 %) were down by € 18.9 million to € 361.1 million. Current liabilities, by contrast, rose to € 84.9 million (2010: € 73.4 million). This shift occurred particularly with the intention of exploiting the fall over the course of the year in the interest-rate level.

**Key balance sheet figures**

| in € thousand | 31.12.2011 | 31.12.2010 | Change |
|---|---|---|---|
| Total assets | 686,840 | 657,177 | 4.5 % |
| Equity | 240,828 | 203,785 | 18.2 % |
| Equity ratio | 35.1 % | 31.0 % | - |
| Net debt | 378,513 | 413,374 | -8.4 % |
| Gearing | 185.2 % | 222.5 % | - |

Financial liabilities of € 328.6 million comprise most of the non-current liabilities, and fell significantly by 6.6 % (December 31, 2010: € 351.8 million). Offsetting this, the derivative financial instruments item increased by € 3.0 million to € 12.2 million. This was due to a change in interest-rate level, and to changes in the Swiss franc exchange rate. Deferred tax liabilities amounted to € 17.2 million. The € 2.2 million year-on-year increase is primarily attributable to the divergence between the balance sheet valuation and the tax law valuation of the real estate portfolio. Pension obligations of € 1.0 million were almost unchanged, and other non-current liabilities were reduced by € 0.8 million to € 1.3 million.

Among current liabilities, current financial liabilities increased by € 9.2 million to € 76.3 million due to a change in maturity terms. Other liabilities rose to € 8.0 million as of December 31, 2011 (previous year: € 5.5 million), principally because of a € 3.3 million purchase price liability.

On the assets side of the balance sheet, investment properties increased by € 13.3 million to € 652.9 million due to the investment activities of VIB Vermögen AG last year, whereby the transfer of ownership, benefits and encumbrances of some of the new purchases and development projects did not occur until 2012, and these are consequently not yet included in the balance sheet portfolio position as of the balance sheet date. Intangible assets (€ 0.05 million) and property, plant and equipment (€ 0.5 million) fell compared with the 2010 fiscal year-end due to amortisation and depreciation. Interests in associated companies (€ 2.7 million), financial assets (€ 0.4 million) and deferred tax assets (€ 0.4 million) underwent a slight increase. Non-current assets totalled € 656.9 million, representing 2.1 % year-on-year growth.

Current assets totalling € 29.9 million (2010: € 13.5 million) grew particularly as a result of a higher level of bank balances and cash in hand in an amount of € 27.0 million (previous-year balance sheet date: € 6.2 million), in turn reflecting the capital increase. This was offset by receivables and other assets, which were down from € 7.1 million to € 2.4 million. In the previous fiscal year, this item still contained receivables of € 5.2 million for a plot of land in Ingolstadt that was sold in 2010, and which was paid for in early 2011. Income tax receivables increased to € 0.3 million (previous year: € 0.1 million).

### c. Financial position

Cash flow from operating activities increased by € 1.0 million to € 38.0 million in the 2011 fiscal year. Investing activities fed through to a related cash outflow of € -8.3 million (2010: € -3.5 million). While the company paid a total of € 22.1 million to acquire new properties, VIB Vermögen AG received € 13.9 million of cash inflows from the sale of land and property. The € 28.4 million proceeds from the capital increase are the reason for the positive trend in cash flow from financing activities, which increased from € -32.2 million in the prior-year period to € -8.9 million in the 2011 fiscal year. This was mainly offset by interest payments of € 18.5 million, and scheduled redemption payments of € 23.8 million for existing financial liabilities. Dividends of € 5.4 million were also paid to shareholders and minority interests. Cash and cash equivalents at Group level at the end of the period consequently totalled € 27.0 million as of December 31, 2011, compared with € 6.2 million in the previous year.

**Financial position**

| in € thousand | 2011 | 2010 | Change |
|---|---|---|---|
| Cash flow from operating activities | 38,019 | 36,950 | 2.9 % |
| Cash flow from investing activities | -8,331 | -3,450 | 141.5 % |
| Cash flow from financing activities | -8,909 | -32,203 | -72.3 % |
| Cash and cash equivalents at the end of the period | 27,001 | 6,222 | 334.0 % |

### d. Overall statement on the company's business position

VIB Vermögen AG has laid the foundation for further sustainable rental income growth with its high level of investment activity in the past year, and the conclusion of long-term rental agreements. VIB Vermögen AG currently enjoys sufficient liquidity to finance its planned growth due to the capital increase that was completed in the first half of the year. A strong equity base, a fall in net debt, and a balanced relationship between short-term and long-term liabilities comprise an important foundation to operate profitably. Overall, the Managing Board appraises the 2011 operating trend and the existing financing structure as both positive and sustainable.

## Report on events after the balance sheet date

In December 2011, VIB Vermögen AG at Group level acquired two further logistics properties, an office and service property, and two further specialist retail centres. The full purchase price of € 30.2 million was paid to the sellers by early February 2012, thereby transferring the properties' ownership, benefits and encumbrances to the individual companies of the VIB Group. The first rental payments have already occurred for the month of January 2012.

There were no further events after the balance sheet date which have a material impact on the financial position or results of operations after the end of fiscal year 2011.

# Risk and forecast report

## a. Risk management

As a real estate group, VIB Vermögen AG faces various risks, and consciously enters into these risks in order to be able to consistently exploit opportunities offered by the real estate market. In order to minimise risks to its business activities, the company has implemented a risk early identification and management system that is regularly adjusted to current developments in the operating business. This ensures that the Managing Board receives early notification in the event of any risks arising, and can immediately implement adequate countermeasures. At its core, the risk management system is oriented to recording and evaluating the key parameters for the VIB Group with regard to its business model, such as rental levels/vacancy rates, outstanding rent, interest payments, and the structure of the fixed interest rate terms for bank borrowings, changes in cash and cash equivalents, changes in rental income and ongoing administrative costs. The results are regularly reported to the Managing Board. The subsidiaries are also included in this risk management system.

The Group companies deploy financial derivatives – particularly interest-rate swaps – in order to minimise interest-rate risks arising from variable-rate loans. These derivatives are generally directly allocated to a corresponding underlying transaction as part of a micro-hedge. The related terms, maturities and nominal amounts are selected on the congruent basis in order to ensure that the hedging relationships are highly effective. The derivatives' value changes are reviewed constantly in order to curb any incalculable errors.

## b. Company risks

### Macroeconomic risks

As shown by the sharp downturn of the 2008/2009 economic and financial crisis, real estate markets are always exposed to the risk of being impacted by macroeconomic and financial developments. As far as the commercial property area is concerned, this is accompanied by the risk that companies are less prepared to invest, combined with increased vacancy risk over extended periods for forthcoming new rentals, and a decline in rent levels. Due to the fact that the existing properties mostly have long-term leases, however, this risk only affects a small proportion of the company's rental income. In order to further minimise this risk, the VIB Group also aims to enter into long-term rental relationships with tenants of high credit standing, and to ensure that its properties can be utilised for alternative purposes.

If macroeconomic and sector-specific trends should worsen significantly, the risk also exists that the real estate portfolio could be subject to negative valuation changes. This risk is nevertheless mitigated by the VIB Group's strong regional orientation to investments in the comparatively stable Southern German real estate market, and its consistent adherence to its investment criteria. The real estate portfolio also enjoys balanced diversification in terms of types of use and sector. Consequently, negative trends in individual economic sectors exert only a minor impact on the company's overall portfolio.

### Tenant risks

As a real estate company, the VIB Group is subject to a certain level of tenant risk that comprises potential rental default and outstanding rental payments. In addition, there is also the risk that, in the event of unforeseeable tenant losses (for example, as a result of termination without notice due to outstanding rent or insolvency), it may prove impossible to rapidly secure new tenants. For VIB Group companies, this may be accompanied by temporary vacancies and, as a consequence, rental income shortfalls. At the same time, this results in possible valuation risks for the real estate portfolio. The Group minimizes this risk by focusing on tenants with strong credit ratings. Rental arrears are processed as soon as they occur in order to identify tenants' payment difficulties at an early juncture. When acquiring properties, the company also ensures that they offer good potential for alternative use. This makes it easier to rent them again rapidly if rental agreements are terminated.

### Construction cost risks / construction risks

The company's business model entails possible construction cost risks and general construction risks arising from the acquisition of land, and the subsequent development of properties. For example, forecast investment and development costs can be exceeded with the consequence that planned financing resources prove insufficient. Delays in the completion of the properties cannot be ruled out as a general construction risk. This would render it impossible to transfer properties to tenants on time. This may result in rental default, and potential damage compensation claims. The VIB Group works together with general contractors with strong credit ratings on larger construction projects to actively counter such risks. This largely ensures that project developments are completed within the planned time and cost parameters. There are no cost risks when the company's portfolio successively acquires properties constructed by project developers, since the properties' purchase prices are derived from the net annual rent excluding heating costs for the fully rented properties, and a fixed, predefined purchase price multiple.

### Property portfolio risks

External factors impact the quality of the locations of the VIB Group's properties to a certain extent. The VIB Group is unable to influence these factors. These include changes to the social structure, deterioration of infrastructure, or construction activities in the direct proximity of the respective properties. This can result in lower values for the properties, with correspondingly lower rental income or higher management costs. The VIB Group counters this risk by carefully reviewing the respective properties and strictly upholding its investment criteria, for instance, as part of good diligence analysis. Damages to or the destruction of the company's existing properties constitute a further potential risk. Certain weather scenarios may also result in construction and technical property management challenges for the Group (for instance, heavy snowfall on flat roofs during the snowy winter of 2010/11). These may require in-depth structural analysis. The entire real estate portfolio is consequently insured against all general risks in order to avoid any reduction in the VIB Group's corporate value.

### Financing risk

Selective and targeted acquisitions will continue to play a role in implementing the VIB Group's growth strategy in 2012. The Group's continued growth and further expansion of its real estate assets nevertheless require a sufficient inflow of financing resources in the form of additional debt and/or equity. If the necessary inflow of funds is unavailable on the corresponding date, or if corresponding amounts are restricted, this could render it impossible to fully guarantee the financing of further growth, for example, through the acquisition of properties that have already been contractually secured, as well as planned acquisitions. This could be accompanied by negative effects on the company's future earnings and net asset positions. When procuring debt funding, there is the risk that funds cannot be drawn down on time, or are drawn down on unfavourable terms, or to an insufficient extent. The 2008/2009 economic and financial crisis, in particular, showed that a deterioration in the macroeconomic situation can tend to result in banks pursuing restrictive lending policies, thereby setting higher requirement hurdles than for comparable equity and hybrid capital facilities. This can lead to restrictions in procuring debt, or to more demanding loan terms, which could have a negative impact on the VIB Group's financial position and results of operations. However, the banks regard the creditworthiness of the companies in the VIB Group as being generally positive due to their solid equity backing and high profitability. The risk that it proves impossible to obtain debt funding in a sufficient scope, or on significantly poorer terms, is consequently regarded as being manageable.

The VIB Group requires a favourable and stable capital market environment to raise additional equity, such as by way of the capital increase last summer. Volatile equity markets, and low valuation levels on primary and secondary markets, could diminish the Group's potential ability to access refinancing facilities. In this case, additional debt funding would have to be taken out to finance investments, or the Group would need to refrain from making the respective investments. The capital market environment deteriorated increasingly over the course of the year under review due to the cooling of the global economy, and some EU countries' state debt problem. Given the circumstances, an insufficient inflow of funds cannot be entirely ruled out for either debt or equity funding. The company's high level of equity backing and its profitability mean that no financing risks are currently foreseeable. In addition, the liabilities are practically free of covenants agreements, with the result that long-term financing is secure even in the event of a change in the capitalization or income structures.

### Interest-rate risk

Any increase in general interest rates could result in a deterioration in refinancing conditions, consequently posing a risk for the VIB Group. The company fixes loan terms at an early stage for a period of predominantly ten years in order to secure real estate financing on a long-term basis. In addition, sharp increases in interest rates when longer-term bank loans expire could present a risk for the Group. Interest-rate swaps have also been entered into some cases in order to optimise bank loan terms. The portion of bank borrowings that carry short-term interest rates amounted to around 26 % of all bank borrowings as of December 31, 2011. As a result, interest-rate risk is calculable even if short-term interest rates rise.

### Currency risk

Loans denominated in foreign currencies carry risks that, if exchange rates deteriorate, higher amounts in euros will be required for both capital and current interest payments. Exchange-rate risks are manageable for the VIB Group due to the low proportion of foreign currency loans compared to the total volume of all bank borrowings. Since corresponding valuation adjustments were applied to existing foreign currency loans in the annual financial statements as of December 31, 2011, a further deterioration in exchange rates will have only minor impact on the results of operations and financial position of the VIB Group.

### Risks from financial instruments

The Group has concluded several interest rate swaps based on operative hedged items in order to secure long-term interest rates, and consequently facilitate the forecasting of future interest expenses. These do not result in any risks.

A currency swap transaction based on Swiss francs was concluded in 2006 before the acquisition by VIB Vermögen AG of BBI Bürgerliches Brauhaus Immobilien AG by its management at that time. At the end of 2010, the development of the CHF/euro exchange rate required the recognition of a liability. Due to the decision taken by the Swiss National Bank in August 2011 to maintain a minimum rate of CHF 1.20 to the euro, and the related sustained weakening of the Swiss franc, this liability required adjustment to a lesser extent than planned during the course of the year. For the coming months, VIB Vermögen AG assumes a Swiss franc exchange rate at the level of the minimum rate of CHF 1.20/euro or higher. Consequently, the risk should be fully covered by the current level of the liability. The swap transaction has a term until 2015.

### Legal risks / contractual risks

Contractual risks could result for the VIB Group from concluding rental and purchase agreements, including possible follow-on costs. All of the major agreements are consequently audited internally, and in some cases externally by legal experts from a commercial perspective.

### Acquisition risks

Acquisitions and disposals of companies with real estate assets can generally also entail the acquisition of the target company's operational business. The spinning off of businesses that do not form part of the VIB Group's core business may comprise a strategic option. When acquiring a company, however, the resale of its operating business is not essential. This could result in an acquisition risk with negative implications for the VIB Group's net assets, financial position and results of operations.

### Geographic concentration risks / cluster risk

The concentration of BBI Immobilien AG's existing properties in the Ingolstadt region could present a potential risk if there are negative developments in this region. This risk is reduced, however, in view of the management's long-standing experience and knowledge of this regional market. This risk is of only minor importance due to the number of these properties in relation to the VIB Group's total portfolio.

In addition, the subsidiary BBI Immobilien AG holds a portfolio of 24 specialist stores, 15 of which are operated by a major tenant. This gives rise to a cluster risk. This risk has been further reduced through the acquisition of additional properties over recent years. Further diversifying effects are anticipated to the extent that the Group prospectively further expands its acquisition activities in pursuit of its growth strategy. In addition, the long-term rental agreements with this creditworthy tenant mean that short-term terminations are impossible.

## c. Opportunities

The commercial real estate market depends to a high degree on a benign macroeconomic environment. Rising rental and transaction volumes in Germany during the period under review provide impressive proof of this. Despite the decline in global economic output, the demand fall on real estate market anticipated for this year could prove to be tempered, since only a very few new commercial properties were constructed in recent years due to the economic and financial crisis. Real estate supply remains limited as a consequence. A high level of interest from abroad could also stimulate demand.

Another development might also support demand for real estate: the high inflation rates of more than 2 % that have prevailed in Germany since the start of the year could persist over the coming months given a correspondingly expansive monetary policy pursued by the European Central Bank. Combined with greater uncertainty on capital markets, this erosion of monetary value could continue to feed through to greater demand for physical assets. This would be expected to have a positive impact on commercial real estate value trends.

Having withstood the economic crisis, the economic upturn may feed through to greater demand for space, bringing with it rising rents and falling vacancies. As a consequence, follow-on rents and new rents could entail rising rental income for VIB Vermögen AG.

In addition, the good location of VIB Vermögen AG's portfolio properties in Germany's fastest-growing regions with the greatest purchasing power could feed through to property price increases, and thereby the formation of hidden reserves. Rental income could also increase this year through the completion of project developments, and through further new investments and new developments. Value-enhancing potentials exist in the medium to long-term for the current real estate portfolio, which can have a positive impact on the company's overall value.

## d. Outlook

The successful business development of VIB Vermögen AG continued last year. With the expansion of the real estate portfolio from around 658,000 m² to approximately 661,000 m², both net asset value (NAV) was boosted to € 260.7 million, and rental income including incidental costs was up by € 0.6 million to € 52.4 million. This creates the foundation for further revenue and operating earnings growth this year.

The company will continue to retain its tried and tested develop-or-buy-and-hold strategy in the future, which generates sustainable and predictable income. Where its targeted investments are concerned, VIB Vermögen AG will continue to concentrate on the economically prospering and high-growth Southern German region. Business activities will focus this year on consolidating and optimising the existing portfolio, and on integrating new acquisitions into the portfolio. At the same time, individual selective real estate investments and project developments that have yet to be concluded may feed through to further rental income growth.

For the current fiscal year, the company's Managing Board expects revenue to increase to around € 56.5 million to € 57.5 million. In terms of earnings before interest and tax (EBIT), the forecast stands at between € 41.0 million and € 42.0 million, and the Managing Board is assuming that consolidated earnings before tax (EBT) will amount to between € 21.5 million and € 22.5 million, in each case before valuation adjustments. Precise developments nevertheless depend both on the scope of new acquisitions and on overall economic circumstances. As a consequence, the Managing Board believes that the initial indications positively suggest that an attractive dividend can again be distributed for the current fiscal year, which will be approximately at the level of the last fiscal year.

Neuburg/Danube, March 27, 2012

Ludwig Schlosser Peter Schropp

Ingolstadt


Ingolstadt


Ingolstadt

# Consolidated financial statements

## Overview

# CONSOLIDATED INCOME STATEMENT (IFRS)

## for the period from January 1, 2011 until December 31, 2011

| in € thousand | Note | 2011 | 2010 |
|---|---|---|---|
| **Revenue** | E.1 | **52,373** | **51,806** |
| Other operating income | E.2 | 683 | 2,751 |
| **Total operating revenue** | | **53,056** | **54,557** |
| Changes in value for investment properties | E.3 | 326 | -2,299 |
| Expenses for investment properties | E.4 | -10,848 | -10,969 |
| Personnel expenses | E.5 | -2,015 | -2,386 |
| Other operating expenses | E.6 | -1,921 | -3,362 |
| **EBITDA – Earning before interests, taxes, depreciation and amortisation** | | **38,598** | **35,541** |
| Amortisation and depreciation | E.7 | -91 | -100 |
| **Profit from operating activities (EBIT)** | | **38,507** | **35,441** |
| Profit/loss on investments accounted for using the equity method | E.8 | -26 | -538 |
| Profit/loss on deconsolidation | | 0 | -207 |
| Financial derivatives measurement expense | E.9 | -1,091 | -2,865 |
| Other interest and similar income | E.10 | 301 | 62 |
| Interest and similar expenses | E.11 | -18,496 | -18,821 |
| Expenses from guaranteed dividend | E.12 | -245 | -247 |
| **Earnings before tax (EBT)** | | **18,950** | **12,825** |
| Income taxes | E.13 | -3,679 | 3,723 |
| **Profit on continuing operations** | | **15,271** | **16,548** |
| Profit on discontinued operations | E.14 | 0 | 366 |
| **Consolidated net income** | | **15,271** | **16,914** |

| | | | |
|---|---|---|---|
| Earnings attributable to Group shareholders | | 15,059 | 16,112 |
| Earnings attributable to non-controlling shareholders | E.15 | 212 | 802 |

| | | | |
|---|---|---|---|
| **Earnings per ordinary share in €** | | | |
| Earnings from continuing operations | E.16 | 0.76 | 0.89 |
| Earnings from discontinued operations | | 0.00 | 0.02 |
| **Consolidated net income** | | **0.76** | **0.91** |

| | | | |
|---|---|---|---|
| **Diluted earnings per share in €** | | | |
| Profit on continuing operations | E.16 | 0.75 | 0.87 |
| Profit on discontinued operations | | 0.00 | 0.02 |
| **Consolidated net income** | | **0.75** | **0.89** |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

for the period from January 1, 2011 until December 31, 2011

| in € thousand | Note | 2011 | 2010 |
|---|---|---|---|
| **Consolidated net income** | | **15,271** | **16,914** |
| **Other comprehensive income** | | | |
| Foreign currency effects on translation of independent subsidiaries | | -32 | -85 |
| Cash flow hedges – value changes in effective hedging relationships | | -2,610 | -1,621 |
| Income tax on other comprehensive income items | E.23 | 448 | -61 |
| **Total of income and expenses carried in equity** | | **-2,194** | **-1,767** |
| **Total comprehensive income** | | **13,077** | **15,147** |
| Total comprehensive income is attributable as follows: | | | |
| Group shareholders | | 12,971 | 14,434 |
| Non-controlling shareholders | | 106 | 713 |

# CONSOLIDATED BALANCE SHEET (IFRS)

as of December 31, 2011

## Assets

| in € thousand | Note | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | E.17 | 53 | 78 |
| Property, plant and equipment | E.17 | 514 | 564 |
| Investment properties | E.18 | 652,855 | 639,572 |
| Interests in associated companies | E.19 | 2,727 | 2,753 |
| Financial assets | E.20 | 378 | 330 |
| Deferred tax | E.27 | 419 | 366 |
| **Total non-current assets** | | **656,946** | **643,663** |
| **Current assets** | | | |
| Receivables and other assets | E.21 | 2,447 | 7,098 |
| Income tax receivables | E.21 | 253 | 95 |
| Bank balances and cash in hand | E.22 | 27,001 | 6,222 |
| Prepaid expenses | | 193 | 99 |
| **Total current assets** | | **29,894** | **13,514** |
| **Total assets** | | **686,840** | **657,177** |

# CONSOLIDATED BALANCE SHEET (IFRS)

as of December 31, 2011

## Equity and liabilities

| in € thousand | Note | Dec. 31, 2011 | Dec. 31, 2010 |
|---|---|---|---|
| **Equity** | E.23 | | |
| Subscribed capital | | 21,329 | 17,772 |
| Share premium | | 123,707 | 99,132 |
| Retained earnings | | 50,112 | 48,219 |
| Net retained profits | | 44,274 | 36,439 |
| | | **239,422** | **201,562** |
| Cash flow hedges | | -7,633 | -5,577 |
| Foreign currency translation | | -149 | -117 |
| Non-controlling shareholders' share of earnings | | 9,188 | 7,917 |
| | | **1,406** | **2,223** |
| **Total equity** | | **240,828** | **203,785** |
| **Non-current liabilities** | | | |
| Profit participation capital | E.24 | 665 | 665 |
| Financial liabilities | E.25 | 328,567 | 351,808 |
| Derivative financial instruments | E.26 | 12,240 | 9,249 |
| Deferred tax | E.27 | 17,233 | 14,992 |
| Pension provisions | E.28 | 1,034 | 1,059 |
| Other non-current liabilities | E.29 | 1,349 | 2,193 |
| **Total non-current liabilities** | | **361,088** | **379,966** |
| **Current liabilities** | | | |
| Financial liabilities | E.30 | 76,282 | 67,123 |
| Income tax liabilities | E.32 | 81 | 21 |
| Liabilities to associated companies | E.33 | 182 | 434 |
| Other liabilities | E.34 | 7,999 | 5,458 |
| Accruals and deferred income | | 380 | 390 |
| **Total current liabilities** | | **84,924** | **73,426** |
| **Total equtiy and liabilities** | | **686,840** | **657,177** |

# CONSOLIDATED CASH FLOW STATEMENT (IFRS)

for the period from January 1, 2011 until December 31, 2011

| in € thousand | Jan. 1, 2011 - Dec. 31, 2011 | Jan. 1, 2010 - Dec. 31, 2010 |
|---|---|---|
| **A. Cash flow from operating activities** | | |
| Net income for the year (after tax) | 15,271 | 16,914 |
| +/- Net interest income | 18,195 | 18,759 |
| +/- Income taxes | 3,679 | -3,723 |
| +/- Depreciation/amortisation/impairment charges applied to non-current assets | 91 | 101 |
| +/- Increase/decrease in provisions | -25 | 205 |
| +/- Fair value changes to investment properties | -326 | 2,299 |
| +/- At equity results | 26 | 538 |
| +/- Income tax paid | -1,082 | -326 |
| **Cash flow from operating activities after taxes (before interest expenses)** | **35,829** | **34,767** |
| +/- Other non-cash expenses/income | 546 | 3,373 |
| +/- Changes in inventories, receivables and other assets not attributable to investing activities | -43 | -293 |
| +/- Change in liabilities that is not attributable to financing activities | 1,687 | -897 |
| **Cash flow from operating activities (before interest expenses)** | **38,019** | **36,950** |
| of which from discontinued operations | 0 | -66 |

| | | |
|---|---|---|
| **B. Cash flow from investing activities** | | |
| - Payments for investments in property, plant and equipment | -38 | -364 |
| - Payments for investments in investment properties | -22,124 | -4,926 |
| - Payments for investments in intangible assets | 0 | -6 |
| - Payments for investments in non-current financial assets | -73 | -187 |
| + Proceeds from the disposal of non-current assets and investment properties | 13,904 | 2,033 |
| **Cash flow from investing activities** | **-8,331** | **-3,450** |
| of which from discontinued operations | 0 | -770 |

| in € thousand | Jan. 1, 2011 - Dec. 31, 2011 | Jan. 1, 2010 - Dec. 31, 2010 |
|---|---|---|
| **C. Cash flow from financing activities** | | |
| + Proceeds from the raising of equity | 28,055 | 0 |
| - Payments to company owners and non-controlling shareholders (dividends) | -5,387 | -4,434 |
| + Interest received | 301 | 61 |
| - Interest paid | -18,496 | -18,820 |
| + Proceeds from the drawing down of financial debt | 9,159 | 9,806 |
| - Payments for the redemption of financial debt | -23,791 | -19,513 |
| +/- Proceeds from non-controlling shareholders | 1,250 | 697 |
| **Cash flow from financing activities** | **-8,909** | **-32,203** |
| of which from discontinued operations | 0 | 626 |

| | | |
|---|---|---|
| **D. Cash and cash equivalents at the end of the period** | | |
| Net change in cash and cash equivalents | | |
| +/- Cash flow from operating activities | 38,019 | 36,950 |
| +/- Cash flow from investing activities | -8,331 | -3,450 |
| +/- Cash flow from financing activities | -8,909 | -32,203 |
| **Cash flow change** | **20,779** | **1,297** |
| Cash and cash equivalents at the start of the period | | |
| + Cash and cash equivalents | 6,222 | 5,136 |
| +/- Change in cash and cash equivalents due to changes to consolidation scope | 0 | -211 |
| **Cash and cash equivalents at the end of the period** | **27,001** | **6,222** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

for the period from January 1, 2011 until December 31, 2011

| in € thousand | Subscribed capital | Share premium | Retained earnings | Cash flow hedge reserve | Foreign currency translation reserve | Net retained profits | Non-controlling share holders | Group equity |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2009** | **17,736** | **99,253** | **43,968** | **-3,984** | **-32** | **28,694** | **7,905** | **193,540** |
| Total comprehensive income | 0 | 0 | 0 | -1,593 | -85 | 16,112 | 713 | 15,147 |
| Issue of VIB shares as part of share exchange | 36 | 237 | 0 | 0 | 0 | 0 | 0 | 273 |
| Transfers to retained earnings | 0 | 0 | 3,933 | 0 | 0 | -3,933 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | -4,434 | 0 | -4,434 |
| Recognition of non-controlling interest in BHB Brauholding AG | 0 | -393 | 0 | 0 | 0 | 0 | 1,121 | 728 |
| Deconsolidation of BHB Brauholding AG | 0 | 0 | 0 | 0 | 0 | 0 | -1,197 | -1,197 |
| Change in non-controlling interest due to interest level held | 0 | 35 | 264 | 0 | 0 | 0 | -299 | 0 |
| Increase in shares in BBI AG as part of share exchange | 0 | 0 | 0 | 0 | 0 | 0 | -272 | -272 |
| Reclassification of hidden reserves attributable to parent company share-holders in additional shares purchased in BBI AG | 0 | 0 | 54 | 0 | 0 | 0 | -54 | 0 |
| **December 31, 2010** | **17,772** | **99,132** | **48,219** | **-5,577** | **-117** | **36,439** | **7,917** | **203,785** |
| Total comprehensive income | 0 | 0 | 0 | -2,056 | -32 | 15,059 | 106 | 13,077 |
| Issue of VIB shares as part of share exchange | 3 | 15 | 0 | 0 | 0 | 0 | -18 | 0 |
| Transfers to retained earnings | 0 | 0 | 1,893 | 0 | 0 | -1,893 | 0 | 0 |
| Capital increase | 3,554 | 24,560 | 0 | 0 | 0 | 0 | 0 | 28,114 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | -5,331 | -67 | -5,398 |
| Capital contribution of interest of non-controlling shareholders in ISG GmbH | 0 | 0 | 0 | 0 | 0 | 0 | 1,250 | 1,250 |
| **December 31, 2011** | **21,329** | **123,707** | **50,112** | **-7,633** | **-149** | **44,274** | **9,188** | **240,828** |

# Notes to the consolidated financial statements for fiscal year 2011

## A. General information and presentation of the consolidated financial statements

VIB Vermögen AG, Neuburg/Danube, Germany (hereinafter „VIB AG" or the „Company") has its corporate seat at Luitpoldstrasse C 70 in 86633 Neuburg/Danube, Germany, and is registered in the commercial register of Ingolstadt Local Court with commercial register sheet number 101699.

The company's shares are traded in Munich Stock Exchange's OTC M:access segment.

The parent company of the VIB Group, VIB Vermögen AG, is classified as a medium-sized corporation according to Section 267 of the German Commercial Code (HGB). The listing of the company's shares in OTC trading is not a listing in the meaning of Section 2 (5) of the German Securities Trading Act (WpHG).

The Group's core competence is the purchasing and managing of its own real estate, and the holding of participating interests in companies with real estate assets. As a portfolio manager for commercial real estate in the Southern German region, the VIB Group has been able to establish a high-yield portfolio of real estate over the past few years. Investments focus on promising, high-growth regions in Southern Germany.

VIB Vermögen AG is required to prepare consolidated financial statements pursuant to Section 290 in combination with Section 293 of the German Commercial Code (HGB). However, the consolidated financial statements are prepared voluntarily according to the requirements of the IASB (Section 315a (3) HGB).

These consolidated financial statements of VIB AG, including figures from the previous year, were prepared in line with International Financial Reporting Standards (IFRS) as applicable in the European Union, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These consolidated financial statements have been prepared in euros. All figures, unless otherwise stated, are presented in thousands of euros. Rounding differences may occur. The annual financial statements of the companies included in the consolidated financial statements (single-entity financial statements) are based on uniform accounting and measurement principles. Carrying amounts based on tax regulations are not included in the consolidated financial statements. The single-entity financial statements were prepared on the same balance sheet date as the consolidated financial statements.

The nature of expense method has been applied for the consolidated income statement. In addition to the income statement, the statement of comprehensive income, the balance sheet and the cash flow statement, a statement of changes in equity is also provided.

The consolidated balance sheet is classified by maturity. Assets are classified as being current if they can be realised or redeemed within one year. As a rule, trade receivables and payables, tax receivables, tax liabilities and inventories are reported as current items. Deferred tax assets and liabilities are presented as non-current.

Non-controlling interests form part of consolidated equity.

In order to improve the clarity and transparency of presentation, consolidated balance sheet items and consolidated income statement items are summarized to the extent that this is pertinent and possible. These items are broken down in the notes to consolidated financial statements, and discussed accordingly.

Changes to the accounting and valuation policies are discussed in the notes. The retroactive application of revised and new standards requires that the results of the previous year and the opening financial statements for this comparable period are adjusted as if the new accounting and valuation methods had always been applied, unless there is different regulation for the respective standard.

## B. Application of new accounting standards

VIB AG has applied all of the standards (IFRS, IAS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) which applied on December 31, 2011. The corresponding transitional regulations have been applied. The consolidated financial statements also include further information required under the German Commercial Code (HGB), and the German Stock Corporation Act (AktG).

### New accounting principles

The following amended reporting and disclosure requirements must be applied as of January 1, 2011:

In October 2009, the IASB published a supplement to its standard IAS 32 „Financial Instruments: Presentation“. The European Union adopted this supplement into European law in December 2009. It clarifies the classification of rights issues as equity or debt if the subscription rights are denominated in a currency other than the issuer's functional currency. Such rights have been recognised as derivative liabilities to date. The supplement requires that subscription rights that are issued proportionally to a company's shareholders at a fixed currency amount are to be classified as equity. The currency of the exercise price is irrelevant in this context. The amendments come into force for fiscal years commencing on or after February 1, 2010.

In May 2010, the IASB published promulgations as part of its third Annual Improvements Project that contain amendments to six standards, and one interpretation. The European Union adopted the amendments into European law on February 18, 2011.

The amendments to the following standards must be applied for all fiscal years commencing after June 30, 2010:

- IFRS 3 Business Combinations
- IFRS 7, IAS 32 and IAS 39 corresponding to the amendments in IFRS 3
- IAS 21, IAS 38 and IAS 31 corresponding to IAS 27

All other amendments require first-time application for fiscal years commencing after December 31, 2010. These concerned the following standards:

- IFRS 1 First-Time Adoption of International Financial Reporting Standards
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 34 Interim Financial Reporting
- IFRIC 13 Customer Loyalty Programmes.

The European Union adopted the following new regulations on July 19, 2010:

- IAS 24 Related Party Disclosures, and
- Amendments to IFRIC 14 „The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". These regulations required implementation as of January 1, 2011.

With EC Directive Number 662/2010 of July 23, 2010, the European Union adopted IFRIC 19 „Extinguishing Financial Liabilities With Equity Instruments" and the corresponding amendments to IFRS 1. The amendments came into force for fiscal years commencing on or after July 1, 2010.

The first-time application of the amended standards and new interpretations of the IFRIC have no effects on the presentation of the net assets, financial position and results of operations in the consolidated financial statements.

## Published accounting announcements – not yet implemented –

In November 2009, the IASB published IFRS 9 „Financial Instruments" relating to the categorisation and measurement of financial assets. Adoption into European law is still outstanding.

In June 2011, the IASB published its standard IAS 19 „Employee Benefits". The amended IAS 19 eliminates the corridor approach, and requires that actuarial gains and losses be reported in other comprehensive income. This amendment will have no effect on companies that do not apply the corridor method, and which already report actuarial gains and losses in other comprehensive income. The revised IAS 19 also replaces the expected return on plan assets, and the interest cost on the pension obligation, by a standard net interest component. Past service cost will in future be reported entirely within the period of the related plan amendment. This revision to IAS 19 amends the requirements for benefits arising from the termination of employment contracts, and expands the disclosure and clarification requirements. The announced amendment is applicable for fiscal years commencing on or after January 1, 2013. Earlier application is permissible.

In October 2010, the IASB published supplements to IFRS 7, Financial Instruments: Disclosures, which expand the disclosure requirements, but retain the derecognition regulations, of IAS 39. The supplements expand the disclosures required for transfers of financial assets where the transferring party retains a continuing involvement with the transferred assets; additional disclosures are required if an unusually high amount is transferred at the end of a reporting period. This supplement must be applied for fiscal years commencing on or after July 1, 2011, whereby earlier application is permissible.

In May 2011, the IASB published IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosures of Interests in Other Entities, and subsequent amendments to IAS 27 Consolidated and Separate Financial Statements (amended 2011), and IAS 28, Investments in Associates and Joint Ventures (amended 2011).

IFRS 10 replaces the regulations relating to consolidated financial statements in IAS 27, Consolidated and Separate Financial Statements (amended 2008), and SIC 12, Consolidation – Special-Purpose Entities. IFRS 11 replaces IAS 31, Interests in Joint Ventures (amended 2008), and SIC 13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 12 replaces disclosure requirements arising from IAS 27, Consolidated and Separate Financial Statements (amended 2008), IAS 28, Investments in Associates, and IAS 31 Interests in Joint Ventures (amended 2008).

With IFRS 10, Consolidated Financial Statements, a standard basis for defining a parent-subsidiary relationship, and the specific delineation of the scope of consolidation, was created. This announcement provides additional guidelines to interpret the concept of control in doubtful cases.

An investor controls another company if it participates in variable results due to the interest in the company that it holds, and has the ability to affect the company's business activities and that are key to its commercial success. Significant changes compared with the current regulatory situation can exist in situations where an investor holds less than half of the voting rights of the company, but has other means to determine the other company's significant business activities. The new regulations can result in significant changes to the scope of consolidation compared with the delineation of consolidation scope pursuant to IAS 27. To this extent, they also have an impact on important Group figures, covenants, and internal data procurement processes. IFRS 10 must be applied for fiscal years commencing on or after January 1, 2013. Earlier application is permissible.

IFRS 11 provides regulations for the accounting treatment of circumstances where a company exercises joint control over a joint-venture or a joint operation. This standard is intended to make the accounting treatment of joint arrangements more consistent and comparable than previously.

A joint operation is a joint agreement that transfers rights to the assets and liabilities arising from the agreement to the partner companies that jointly exercise control. A joint-venture is a joint agreement that transfers rights to the net assets arising from the agreement to the partner companies jointly exercising control. Pursuant to IFRS 11, a partner company in a joint operation is required to recognise in its accounts the assets and liabilities (and respective income and expenses) that correspond to its interest in the operation. A partner company in a joint-venture is required to recognise its interest using the equity method. IFRS 11 must be applied for fiscal years commencing on or after January 1, 2013. Earlier application is permissible.

IFRS 12, as a new and comprehensive ruling, provides regulations for disclosure requirements for all types of interests in other companies, including joint agreements, associates, structured companies and off-balance-sheet units. Disclosures must be made that enable the reader of the financial statements to assess the essence of the interest in other companies, the related risks, and the effects of these interests on the net assets, financial position and results of operations. Due to the publication of the new IFRS 10, IAS 27 now contains only regulations relating to separate financial statements.

In line with the amended IAS 28, a company is required to recognise its interest, or part of its interest, in an associated company or a joint-venture as held for sale, to the extent that the relevant criteria are satisfied. The remaining portion in an associated company joint venture that is not classified as held for sale, must be accounted for using the equity method until the disposal of the portion classified as held for sale.

IFRS 10, 11, 12, and the subsequent amendments to IAS 27 and IAS 28 come into force for fiscal years commencing on or after January 1, 2013. The new or amended standards and interpretations can be applied earlier whereby in such instances a uniform application date is applicable for all of the aforementioned new regulations. The only exception to this is IFRS 12, whose disclosure requirements can be applied early independently of the other amendments and interpretations. The announcements are retrospectively applicable. IFRS 10, 11, 12, and the subsequent amendments to IAS 27 and IAS 28 have not yet been adopted into European law by the EU.

In May 2011, the IASB published IFRS 13, Fair Value Measurement. The new pronouncement does not provide regulations as the extent to which certain assets and liabilities are to be measured at fair value, but only defines the term fair value, and standardises the disclosure requirements for fair value measurement. The new standard comes into force for fiscal years commencing on or after January 1, 2013. Earlier application is permissible. The EU has not yet adopted IFRS 13 into European law.

The company is reviewing the new standards' effects on the presentation of the net assets, financial position and results of operations. We are assuming that this will have no significant effects on the net assets, financial position and results of operations.

## C. Summary of key accounting and valuation principles

The consolidated financial statements were prepared based on the going concern principle.

VIB Vermögen AG's consolidated financial statements are prepared based on the historical costs of the assets and liabilities. As a result of the different mandatory requirements for the measurement of derivative financial instruments and financial assets and liabilities, these are recognised at fair value. After first-time disclosure and measurement, investment properties can be subsequently valued using two different valuation methods on the balance sheet date. There are two methods that can be used for subsequent valuation: fair value measurement through profit or loss (fair value model) or subsequent valuation at amortised cost (cost model).

## D. Group of consolidated companies and consolidation methods

The VIB Group's group of consolidated companies include VIB Vermögen AG and the subsidiaries over which VIB AG can either directly or indirectly exercise a controlling position. As a rule, a controlling position is assumed when the majority of voting rights for a subsidiary (including special purpose enterprises) are held by one or several Group companies. As a rule, subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which control is transferred to the Group. They are deconsolidated on the date on which control ends.

Subsidiaries' capital is consolidated in line with IAS 27 (Consolidated and Separate Financial Statements) and IFRS 3 (Business Combinations). The carrying amount of the participation is offset against the subsidiary's remeasured equity on the date of acquisition. All business combinations are accounted for using the acquisition method. Acquisition costs correspond to the fair value of the assets paid, the equity instruments issued and the debts resulting or taken over on the date of exchange (acquisition date). Assets, liabilities and contingent liabilities that can be identified as part of a business combination are measured at their fair value on the date of exchange during initial consolidation. Non-controlling interests are not taken into account in this context. Goodwill is carried if the acquisition costs for the acquisition of interests in subsidiaries exceed the proportion of the net assets measured at fair values due to the Group. If the acquisition costs are lower than the fair value of the net assets of the acquired subsidiary, and after the purchase price allocation has been reviewed again for correctness, the difference is taken directly through profit or loss (other operating income). The interests of non-controlling shareholders in Group subsidiaries are carried of the fair value of the assets and liabilities recognised in equity at the amount due to the non-controlling shareholders.

The income and expenses of the subsidiaries acquired or sold during the course of the year are carried on the consolidated income statement from the date of the start or end of the opportunity to exercise control. Intragroup transactions, balances and unrealised gains from transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction indicates impairment of the transferred asset.

The portion of the consolidated equity, consolidated annual earnings and comprehensive income due to non-controlling shareholders is shown separately from the portions due to the shareholders of VIB Vermögen AG as the parent company.

The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting and valuation policies. The key accounting and valuation methods that were applied when preparing these consolidated financial statements are discussed below.

As of December 31, 2011, eight (previous year: seven) companies were included in VIB Vermögen AG's consolidated financial statements.

Companies included in the consolidated financial statements as of December 31, 2011:

| Company | Equity interest (%) |
|---|---|
| Merkur GmbH | 100.00 |
| WHD Immobilien GmbH | 100.00 |
| RV Technik s.r.o. | 100.00 |
| BBI Bürgerliches Brauhaus Immobilien Aktiengesellschaft | 91.27 |
| Gewerbepark Günzburg GmbH | 87.50 |
| ISG Infrastrukturelle Gewerbeimmobilien GmbH (formerly RC Golfhotel GmbH) | 75.00 |
| VSI GmbH | 74.00 |
| IVM Verwaltung GmbH | 60.00 |

The capital interests shown correspond to the proportionate equity interests attributable to the Group.

The list of shareholdings is attached at the end of the notes to the consolidated financial statements.

The balance sheet dates of all of the subsidiaries in VIB Vermögen AG's consolidated financial statements are the same as the parent company's balance sheet date.

## Key acquisitions

The acquisition costs of the shares of BBI Immobilien AG acquired in 2011 total € 29 thousand, for which 2,586 VIB shares were rendered.

In the fiscal year elapsed, the VIB Group sold a 25 % interest in its previously indirect interest in ISG Infrastrukturelle Gewerbeimmobilien GmbH (formerly: RC Golfhotel GmbH). The remaining shares (75 %) were transferred to VIB. This interest was subsequently topped up by € 3,675 thousand to € 3,750 thousand by way of a share capital increase, which was fully paid in. The company continues to be fully consolidated in the consolidated financial statements.

The Group founded a wholly-owned subsidiary in the 2011 fiscal year, WHD Immobilien GmbH, with € 200 thousand of share capital, with the share capital being fully paid in. The latter does not comprise a business combination in the meaning of IFRS 3.

## Associated companies

Associated companies are companies – including partnerships – in which the shareholder has a significant influence, but not control. As a result, these are neither subsidiaries nor joint ventures. A significant influence is to be understood as being the opportunity to participate in financial or business policy decisions, although not the ability to take such decisions alone. As a rule, a significant influence is assumed if there is a participating interest of between 20 and 50 percent.

In line with IAS 28.13, interests in associated companies are accounted for using the equity method. In the first stage, the participating interest is capitalized at cost. In line with IFRS 3, differences from first-time consolidation are treated according to the provisions for full consolidation. Positive differences constitute goodwill, which is included in the carrying amount of the participating interest in the associated company and is not amortised. Negative differences are recorded directly in the income statement as other operating income after a renewed review of the purchase price allocation.

The Group's share of the profits and losses of associated companies is recorded from the date of the acquisition or change of statement in the financial result in the income statement, the share of changes to equity directly under equity. Disbursements by the associated companies reduce its carrying amount.

As of December 31, 2011, the following companies were carried as associated companies according to the equity method:

- VIMA Grundverkehr GmbH (equity interest 50 %)
- BHB Brauholding Bayern-Mitte AG (equity interest 35.5 %)

## Segment reporting

In line with IFRS 8.2, companies such as VIB Vermögen AG, in which shares are publicly traded, must prepare segment reports. The so-called management approach is to be used for segmentation.

According to IFRS 8, a business segment is a distinguishable component of an enterprise which records similar non-current income or has comparable economic characteristics. The individual business segments should also differ from the other segments in terms of risks, opportunities and returns.

The VIB Group reported one segment – „Rental and Management of a Real Estate Portfolio" – in the year under review. The beverages segment was deconsolidated due to the IPO of BHB Brauholding Bayern-Mitte AG as of July 6, 2010, and consequently reported as discontinued operations pursuant to IFRS 5 in the 2010 fiscal year.

## Recognition of revenue and expenses

Revenue is the gross inflow during the period arising in the course of the Group's ordinary activities. Revenues are realised if there is a corresponding agreement, convincing verification that the service has been provided (generally transfer of risk, for rentals a contractual agreement and rental period), the amount of revenues can be reliably identified and it can be assumed that it will be possible to collect the receivable. In the case of long-term agreements (in particular usage fees), revenues are recognised on an accrual basis based on the provisions of the associated agreement, in other words, revenues are generally recognised using the straight line method over the term of the agreement, and if performance is not straight line as soon as the performance has been made. Revenues from services are recorded when the service is provided.

Revenues are measured at the fair value of the consideration received or to be received. Rebates, discounts, or taxes connected with the sale of goods and services are deducted from revenues.

Interest income is accrued taking into account the amount of the loan outstanding and the applicable interest rate (effective interest rate). The applicable effective interest rate is the interest rate that is used to discount the estimated future receipts and payments over the term of the financial asset to the net carrying amount of the asset.

Dividend income from financial assets is recorded when the legal claim to payment arises.

Expenses that cannot be accounted for are deferred in the income statement.

## Borrowing costs

In line with IAS 23, and if the corresponding conditions apply, borrowing costs must be capitalized as part of the costs of an asset if these can be directly allocated to the acquisition, construction or production of a qualified asset. Borrowing costs of € 23 thousand were capitalized during the past fiscal year (previous year: € 0 thousand).

## Public subsidies

Grants are allocated and deducted from the corresponding expenses in the periods in which the associated costs are incurred. Grants for assets are carried as deferred income.

## Income taxes

Income taxes constitutes the total of the ongoing tax expenses and deferred taxes.

The Group identifies the ongoing tax expenses based on the taxable income of the companies included in the consolidated financial statements as subsidiaries. The taxable income differs from the net income derived from the income statement as it excludes income and expenses that will later or never be taxable or tax-deductible as a result of tax regulations (including deferrals). Ongoing tax liabilities for the Group companies are calculated based on the tax rates which apply to the assessment period.

Deferred tax liabilities and assets are formed according to the asset and liability method (IAS 12) for anticipated tax charges and tax relief on the differences between the carrying amounts of the assets and liabilities in the IFRS consolidated financial statements and the tax base, from consolidation measures, and on loss carryforwards that are likely to be realised.

Deferred tax liabilities are formed for all taxable temporary differences. Deferred tax assets for temporary differences and tax losses carried forward that can be used in future are recorded to the extent that it is probable that there will be sufficient excess taxes in future for which the deductible temporary differences can be used. No deferred taxes are formed for temporary differences from the recognition of goodwill, first-time recognition of other assets or liabilities (unless this was part of a business combination or a transaction which neither impacts the taxable income nor the net income).

Deferred tax assets and deferred tax liabilities are netted if they are for the same tax authority.

The carrying amount of the deferred taxes recognised in the financial statements is reviewed annually on the balance sheet dated and reduced if it is no longer probable that there will be sufficient taxable income to regain the deferred taxes either in full or in part.

Deferred taxes are carried through profit or loss, except for items that are carried in other comprehensive income.

Deferred taxes are identified based on tax rates that applied on the date the liability was settled or the asset was realised. The impact of changes in tax rates on deferred taxes is recognised in income in the period in which the legislation on which the change to the tax rate is based has mostly been concluded, unless these relate to items carried directly under equity.

Deferred tax liabilities that result from temporary differences connected with interests in subsidiaries and associated companies are recognised, unless the date of the reversal of the temporary differences can be controlled by the Group, and it is probable that the temporary differences will not be reversed in the foreseeable future.

## Intangible assets (licenses, including software, and supply rights)

Purchased intangible assets are recognised at cost. In the case of acquired software, straight-line amortisation over four years is imputed as a result of its limited useful life. Intangible assets are also subject to impairment if, on the balance sheet date, the recoverable amount is lower than their amortised cost. They are reversed if the reasons for impairment in previous years no longer apply.

## Goodwill

The goodwill resulting from the first-time consolidation of subsidiaries comprises the amount to which the costs for the acquisition of a company exceed the Group's share of the fair value of the identifiable assets and liabilities of a subsidiary or jointly managed company on the acquisition date. Goodwill and intangible assets with indefinite useful lives are not amortised, in line with IFRS 3 and IAS 38. Instead, according to IAS 36, they are subject to an annual impairment test (and also if there is reason to suspect impairment), and are written down to their recoverable amount if required (impairment only approach). Goodwill is distributed over cash generating units for impairment tests. Each impairment is recognised immediately as an expense. They are not written up at a later date. If a subsidiary or jointly managed company is sold, the attributable amount of goodwill is included when determining the profit or loss from the sale.

## Property, plant and equipment

Property, plant and equipment is carried at cost less depreciation and impairment charges. Costs include all of the expenses directly attributable to the acquisition of the asset.

Property, plant and equipment is written down using the straight line method or according to the anticipated course of the future use of the equipment. In the case of straight line depreciation, costs are written down as follows over the anticipated useful life of the assets:

- Office and operating equipment: 3-10 years

The remaining carrying amounts, economic useful lives and the depreciation method as well as the remaining periods in use are reviewed on each balance sheet date and adjusted as necessary. If the carrying amount of an asset is above its estimated recoverable amount, which is the higher of its fair value less costs to sell and its value in use, it is written down to the recoverable amount. Gains and losses from the disposal of assets are calculated as the difference between the income from the sale and the carrying amount, and recognised in income.

## Investment properties

Due to the company's business activities, all properties are treated as investment properties pursuant to IAS 40. Such properties are measured cost on addition. Any investment subsidies to cover additional expenses from listed buildings as a result of investments in real estate are deducted from the acquisition costs of the corresponding asset within the meaning of IAS 20. Subsequent measurement is at fair value through profit or loss.

The fair values were ascertained by an independent expert (Landestreuhand Weihenstephan GmbH, Wirtschaftsprüfungsgesellschaft). As a rule, the expert used the discounted cash flow method to identify the present values.

In the discounted cash flow method, the present value of a property mostly depends on the following influencing factors:

- Gross annual income
- Management costs and anticipated maintenance expenses
- Remaining useful lives of buildings
- Discount rate (property interest rate)
- Land value

The gross annual income was identified based on the current gross annual rent for the individual properties. The land values were identified based on the respective communities' collections of guiding values. A discount rate of 4.86 - 9.36 % was applied.

Reserve land and property under construction is also reported as investment property. As a rule, the fair value applies for valuation within the meaning of IAS 40. In addition to other parameters, this includes rental income from current tenancies and appropriate and reasonable assumptions, which correspond to what would be agreed between knowledgeable, willing parties for rental income generated from future tenancies, and according to current circumstances on the market.

Pursuant to IAS 40.53, there is a rebuttable presumption that an enterprise will be able to determine the fair value of an investment property reliably on a continuing basis. If fair value of an investment property under construction cannot be reliably determined as a result of the early stage of the project, this is measured at cost. As soon as VIB is able to identify the fair value, this property is carried at fair value. This occurs, at the latest, when the property is completed.

As a result of factors including the early development stage of the properties, the VIB Group was not able to reliably determine the fair value of the investment property under construction. As of December 31, 2011 these were consequently measured at cost in line with IAS 16.

## Impairment of non-financial assets

The VIB Group applies impairment charges to the carrying amount of property, plant and equipment, intangible assets, and inventories, if required, to the extent that prospectively permanent value impairment has occurred due to particular circumstances.

Intangible assets of indefinite useful life are not amortised, but instead tested annually for impairment. Assets that are amortised, are tested for impairment if corresponding events or changes to circumstances give reason to believe that an asset could be impaired. The impairment is measured as the difference between the lower recoverable amount and the carrying amount, and is recognised in income. The recoverable amount is the higher of the fair value of the asset less costs to sell and the asset's value in use. During impairment testing, assets are summarized at the lowest level for which separate cash flows can be identified (cash generating units). The value in use is given by discounting the cash generating unit's estimated future cash flows.

On each balance sheet date, VIB Vermögen AG reviews whether or not there is reason to believe that impairment can be reversed. In so doing, the carrying amount of an asset or the cash generating unit is increased to the new estimated recoverable amount. The increase in the carrying amount is limited to the carrying amount which would have been determined if no impairment had been recorded for the asset (of the cash generating unit) in previous years. Any reversal of impairment is recognised in income immediately. Impairment of goodwill is not reversed.

## Leases

Leases are classified as finance leases if, as a result of the conditions of the lease, the major risks and opportunities associated with ownership are transferred to the lessee. All other leases are classified as operating leases.

Lease payments resulting from an operating lease are expensed straight-line through profit or loss over the lease duration, unless another systematic basis better corresponds to the temporal duration of the benefit for the lessee.

## Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, including a reasonable portion of fixed and variable overheads, is allocated to the inventories according to the method best suited for their allocation in each case. The bulk of inventories are measured using the weighted average method. The net realisable value is the estimated selling price of the inventories less all estimated expenses that are still required for completion and sale.

## Trade receivables

Trade accounts receivable are carried at their fair value. Amortised costs are extrapolated over time using the effective interest rate method, and after deducting impairment losses. Impairment is recognised for trade accounts receivable if there is objective evidence that it will not be possible to collect the due receivable in full. The amount of the impairment is the difference between the carrying amount of the receivable and the cash value of the estimated future cash flow from this receivable, discounted using the effective interest rate. The impairment is expensed. Receivables are written up accordingly if the reasons for value adjustments made in prior periods no longer exist.

## Bank deposits and cash

Bank balances and cash in hand include cash, demand deposits, other current highly liquid financial assets with an original maximum maturity of three months and current account overdrafts. Current account overdrafts are carried in the balance sheet as bank borrowings under current financial liabilities. Bank balances and cash in hand are measured at amortised cost.

## Financial assets

Financial assets (all agreements that lead to the recognition of a financial asset at a company and the recognition of a financial liability or an equity instrument at another company) are allocated to the following categories according to IAS 39:

- Financial assets at fair value through profit or loss
- Held to maturity investments
- Loans and receivables
- Available-for-sale financial assets

Classification depends on the purpose for which the respective financial assets were acquired. Management determines the classification of the financial assets upon initial recognition and reviews the classification on each balance sheet date.

## 1. Financial assets at fair value through profit or loss

Financial assets that are allocated to this category are to be allocated to one of the following sub-categories:

- Financial assets that have been classified as „held for trading" from the outset
- Financial assets that were classified at fair value through profit or loss from initial recognition.

A financial asset is allocated to this category if it was, in principle, acquired with the intention to sell it over the short term, or if the financial asset was designated correspondingly by the management. Assets in this category are carried as current assets if they are either held for trading or will probably be realised within twelve months of the balance sheet date.

Derivative financial instruments (in particular interest rate swaps and a forward currency transaction in the VIB Group) are carried at fair value. Changes in the value of derivatives that are not hedges are regarded as being „held for trading" and are consequently recognised in income in the income statement. If derivatives are included in a cash flow hedge, the fair value adjustments are disclosed directly under equity taking deferred taxes into account. When derivative financial instruments are included in fair value hedges, the carrying amount of the underlying is adjusted for the profit or loss from the derivative allocable to the hedged risk.

## 2. Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Exceptions include financial assets held for trading, and financial assets that the management has designated as at fair value. Loans and receivables arise when the Group directly provides money, goods or services to a debtor without the intention of on-selling these receivables. They are allocated to current assets to the extent that the due date of the loans and receivables is not more than twelve months after the balance sheet date. Loans and receivables with longer terms are carried under non-current assets. Loans and receivables are carried on the balance sheet under trade accounts receivable and other receivables.

## 3. Held-to-maturity investments

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, for which the Group's management has the intention and ability to hold these to maturity. These do not include investments at fair value through profit or loss, held for trading or which are to be allocated to loans and receivables.

## 4. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that were either allocated to this category or which were not allocated to any of the other categories shown. These are carried under non-current assets to the extent that management does not intend to sell these within twelve months of the balance sheet date.

Financial assets are measured at fair value plus transaction costs on the date they are first recognised. They are derecognised when the rights to payments from the investment have expired or been transferred, and the Group has mostly transferred all of the opportunities and risks that are associated with ownership.

Available-for-sale financial assets and assets in the category „fair value through profit or loss“ are measured at their fair value after initial recognition. Loans and receivables and held-to-maturity financial investments are carried at amortised cost using the effective interest method.

Realised and non-realised gains and losses from changes to the fair value of assets in the category „fair value through profit or loss“ are recognised in income in the period in which they arise. Unrealised gains and losses from changes to the fair value of non-monetary securities in the available-for-sale category are carried through other comprehensive income. If securities in the available-for-sale category are sold or impaired, the changes to the fair value accumulated in other earnings are recognised in income as gains or losses from financial assets in the income statement.

The fair values of financial assets that are listed on an active market are based on the current bid rate. If there is no active market for financial assets, or if these are not listed securities, the corresponding fair values are identified using suitable valuation methods. These include references to recent transactions between independent business parties, the use of current market prices for other comparable assets, discounted cash flow methods and, if necessary, option pricing models.

VIB Vermögen AG performs an impairment test each balance sheet date to review whether there are objective reasons for impairment of a financial asset or a group of financial assets. In the case of equity instruments which are classified as available-for-sale financial assets, a major or sustained downturn in the fair value to below the acquisition costs of these financial instruments when taking into account the extent to which the equity instruments are impaired. If there is such evidence for available for sale assets, the accumulated loss – taken as the difference between the acquisition costs and the current fair value – less any impairment losses previously recognised with regard to the financial asset, are derecognised from equity and carried through profit or loss. Impairment losses for equity instruments carried in the income statement are not reversed in income.

## Cash flow hedges

Interest rate swaps are used on occasion as part of taking out loans. These are used to hedge the fixed interest rate, and some of the credit conditions prescribed by the bank. The effectiveness of the hedge is ascertained prospectively using the critical terms match method under IAS 39.AG108. The effectiveness is reviewed retrospectively on each balance sheet date using an effectiveness test with statistical methods in the form of a so-called dollar offset test. For these financial instruments used as cash flow hedges the unrealised gains and losses from the effective hedge transaction are taken directly to equity. The ineffective portion is recognised immediately through profit or loss. The amounts accumulated under equity are recorded in the income statement in the periods in which the underlying transaction affects earnings for the period.

## Equity

VIB Vermögen AG's shares are categorized as equity. Expenses directly connected with the issue of new shares are deducted directly in equity from the issue proceeds after deducting income tax. The share premium, retained earnings, the Group's profit carried forward and non-controlling shareholders are also allocated to equity.

If a Group company acquires its own shares, the value of the compensation paid including directly allocable additional costs (net after taxes) are deducted from the equity due to the company's shareholders until the shares have been withdrawn, re-issued or sold on. If these shares are subsequently issued or sold again, the compensation received is recorded in equity that is due to the company's shareholders, net, after the deduction of any directly allocable additional transaction costs and associated income taxes. On the balance sheet date, none of the Group companies held treasury shares.

## Provisions

Provisions are formed according to IAS 37 if there is a legal or constructive obligation to third parties from past events, and if this obligation is likely to lead to an outflow of funds for which the amount can be reliably estimated. Provisions are carried in the amount that is required according to the best possible estimate in order to cover all current obligations on the balance sheet date. Future events that could impact the amount required to fulfil an obligation are taken into account in the provisions to the extent that these can be predicted with sufficient objective certainty and to the extent that these obligations result from past transactions. Expenses for the formation of provisions are disclosed in the income statement. If an outflow of funds is only to be expected after more than one year, the provisions are discounted using a pre-tax interest rate. In the event of discounting, the increase in the provisions over time is carried as interest expenses.

## Pension provisions

The actuarial valuation of provisions for pensions for company retirement benefits is based on IAS 19. The provision is formed based on the projected unit credit method for defined benefit plans. The differences (so-called actuarial gains and losses) which result at the end of the year between the forecast pension commitments and the actual projected unit credit are recognised as income or expense immediately in the earnings for the period. The interest included in the benefit expenses is carried as personnel expenses in the operating result.

## Foreign currencies

### Functional currency and reporting currency

The functional currency of a Group company is the currency of the primary economic environment in which the company operates. The company prepares its single-entity financial statements in the functional currency. This is the euro for all of the companies with the exception of RVTechnik s.r.o.

Assets (including goodwill and hidden reserves uncovered as part of a purchase price allocation) and liabilities for foreign subsidiaries for which the functional currency is not the euro, are translated in line with IAS 21.44 at the closing rate, income and expenses are translated using the average rate of exchange. VIB Vermögen AG takes translation differences directly to equity.

### Transactions and balances

Foreign currency transactions are translated using the exchange rates on the date of the transaction in functional currency. Gains and losses that result from the fulfilment of these transactions and from conversion at the closing rate of monetary assets and liabilities in foreign currency are recorded in the income statement.

## Litigation and compensation claims

VIB Group companies are involved in various proceedings and official proceedings as part of their general business operations, and such proceedings may be initiated or asserted in future. Even if the outcome of the individual proceedings cannot be forecast with certainty as a result of the uncertainties associated with litigation, according to the current perspective there will not be a significant negative impact on the Group's earnings position that goes beyond the risks taken into account in the financial statements as liabilities or provisions.

## Liabilities

The financial liabilities comprise liabilities and derivative financial instruments to be measured at fair value. Liabilities are carried at amortised cost.

Current liabilities (i.e., liabilities for which repayment is expected within twelve months of the balance sheet date) are carried at their repayment amounts. Non-current liabilities and financial liabilities are carried at amortised cost according to the effective interest method. Liabilities from finance leases are carried at the cash value of the minimum leasing payments.

In line with the definition of equity in IAS 32, equity is only present from the company's perspective if the corresponding financial instrument does not evidence a contractual obligation to repay capital or to deliver other financial assets. Repayment obligations from company assets can arise if (non-controlling) shareholders have a right of termination and, at the same time, exercising this right evidences a compensation claim against the company. Any such capital provided by non-controlling interests is carried as a liability, even if this is regarded as equity under the principles of the German Commercial Code. Compensation claims are carried at fair value.

## Risk management

The Group is exposed to various financial risks that derive from its operations and financing activities. The key financial risks for the Group are from changes in interest rates, and its counterparties' credit ratings and solvency.

Financial risk management within the Group is based on principles stipulated by the management. These include interest rate, market, credit and liquidity risks. There are also principles and guidelines for other areas, such as liquidity management and the procurement of short and long-term loans.

Financial risk management aims to secure, to the extent necessary, the various risks detailed above, and consequently to limit the negative impact on the Group's income statement and balance sheet. Taking into account the principle of separation of duties, the financial risks to which the Group is exposed, are measured, monitored and actively controlled using various activities.

## Valuation uncertainties, assumptions, estimating uncertainties

Assumptions must be made when applying the accounting and valuation methods. The most important forward-looking assumptions and other key sources of estimating uncertainties which exist on the balance sheet date and as a result of which a risk exists that will make an adjustment to the carrying amounts of assets and liabilities necessary during the next fiscal year are discussed below:

- The identification of the fair values for assets and liabilities and the useful lives of assets are based on the management's assessments. This also applies to the identification of impairment for property, plant and equipment and intangible assets as well as financial assets. At VIB Vermögen AG, this applies in particular to the valuation of investment property, and also to financial instruments and derivatives.
- Impairment losses are formed for doubtful receivables in order to take estimated losses from customers' unwillingness or inability to pay into account.
- Estimates must also be made when calculating actual and deferred taxes. In particular, the possibility of generating sufficient taxable income plays a key role in assessing whether or not deferred tax assets can be used.
- Discount factors and anticipated developments are the key estimates made in accounting for, and measuring, pension provisions and current provision.

As a rule, the best possible knowledge with regard to the situation on the balance sheet date is used for these valuation uncertainties. The actual amounts that result could differ from the estimated amounts. The carrying amounts disclosed in the financial statements which bear these uncertainties are detailed on the balance sheet or in the related notes.

On the date the consolidated financial statements were prepared, no material changes to the assumptions on which accounting or valuation were based was to be assumed. As a result, from the current perspective, no notable adjustments to the assumptions and estimates or the carrying amounts of the affected assets and liabilities are to be expected in fiscal year 2012.

## E. Notes on the balance sheet and income statement

The presentation of the income statement was modified for the current fiscal year in the operating income area. The „Changes in value for investment properties" item, which was still shown within the „Total operating revenue" item in the previous year, has been reclassified from the current fiscal year, and is now reported beneath this item. The corresponding prior-year figures were adjusted. This adjustment enhances the transparency and comparability of the income statement.

### 1. Revenue

The Group's revenues are composed as follows:

| in € thousand | 2011 | 2010 |
|---|---|---|
| Revenue from rents excluding utilities charges | 44,796 | 45,213 |
| Revenue from operating costs | 7,226 | 5,850 |
| Miscellaneous revenue | 351 | 743 |
| | **52,373** | **51,806** |

### 2. Other operating income

Other operating income is composed as follows:

| in € thousand | 2011 | 2010 |
|---|---|---|
| Miscellaneous operating income | 558 | 1,677 |
| Income in connection with the acquisition of minority interests in real estate projects | 0 | 623 |
| Disposal gains on properties | 125 | 451 |
| | **683** | **2,751** |

Miscellaneous operating income in the year under review primarily arises from insurance compensation payments, exchange-rate differences, and the reduction of individual impairment charges applied to receivables.

### 3. Changes in value for investment properties

| in € thousand | 2011 | 2010 |
|---|---|---|
| Reversals to impairment charges arising from changes in market value IAS 40 | 5,111 | 7,216 |
| Impairment charges arising from changes in market value IAS 40 | -4,785 | -9,515 |
| | **326** | **-2,299** |

Investment properties in the meaning of IAS 40 are measured at fair value through profit or loss. As it is not yet possible to reliably determine the fair value for the properties still being developed, these continued to be measured at amortised cost. Reversals to impairment charges of € 5,111 thousand are broken down as follows:

| in € thousand | 2011 |
|---|---|
| Increase in the value of development projects after completion of the development and start of property use | 171 |
| Increase in the value of portfolio properties | 4,940 |
| | **5,111** |

## 4. Expenses for investment properties

The expenses connected with investment properties are composed as follows:

| in € thousand | 2011 | 2010 |
|---|---|---|
| Land expenses/operating costs | 8,434 | 8,686 |
| Maintenance expenses | 2,414 | 2,283 |
| | **10,848** | **10,969** |

Expenses for investment property that did not contribute to generating rental income during the year under review (including in construction, vacancies, etc.) are of minor importance.

## 5. Personnel expenses

| in € thousand | 2011 | 2010 |
|---|---|---|
| Wages and salaries | 1,741 | 1,888 |
| Social security contributions | 274 | 498 |
| | **2,015** | **2,386** |

The VIB Group had an average of 31 employees without the Managing Board (previous year: 30). The previous year's personal expense was affected by a first-time addition to pension provisions.

## 6. Other operating expenses

Other operating expenses fell year-on-year from € 3,362 thousand to € 1,921 thousand. The € 1,441 thousand decline is mainly attributable to a lower level of foreign currency adjustment applied to Swiss franc financing.

## 7. Amortisation of intangible assets and depreciation of property, plant and equipment

| in € thousand | 2011 | 2010 |
|---|---|---|
| Amortisation | 25 | 26 |
| Depreciation | 66 | 74 |
| | **91** | **100** |

## 8. Profit / loss on investments accounted for using the equity method

The income from investments is due to the following participating interests in associated companies:

| in € thousand | 2011 | 2010 |
|---|---|---|
| VIMA Grundverkehr GmbH | 165 | -197 |
| BHB Brauholding Bayern-Mitte AG | -191 | -341 |
| | **-26** | **-538** |

The income from investments is recognised pursuant to IAS 28.11, and includes both the share of the profit and loss of the interest held, and adjustments to the carrying amounts of the shares due to impairment charges.

## 9. Financial derivatives measurement expense

An expense of € 1,091 thousand arose in 2011 from the measurement of a foreign-currency derivative. This expense is cash-effective in an amount of € 711 thousand in the year under review. The derivative's future value change depends on interest-rate trends, and the development of the Swiss franc to euro exchange rate. Due to the Swiss National Bank's decision in August 2011 to maintain a minimum rate of CHF 1.20 to the euro, the risk of a currency-related deterioration in the foreign currency derivative was minimised.

## 10. Other interest and similar income

Other interest and similar income in the amount of € 301 thousand (previous year: € 62 thousand) is mostly due to interest on current account balances and demand deposits as well as loans on financial assets.

## 11. Interest and similar expenses

Interest and similar expenses of € 18,496 thousand (previous year: € 18,821 thousand) arises primarily from interest on bank borrowings, and interest payments on interest-rate swaps which comprise effective hedges.

## 12. Expenses from guaranteed dividend

This expense results from the guaranteed dividend to outstanding shareholders as set out in the profit and loss agreement with BBI Immobilien AG, and depresses earnings in the amount of € 245 thousand (previous year: € 247 thousand).

## 13. Income taxes

Income taxes are composed as follows:

| in € thousand | 2011 | 2010 |
|---|---|---|
| Actual income tax expense | 983 | 561 |
| Deferred taxes (expense, previous year: income) | 2,696 | -4,284 |
| **Expense (previous year: income) from taxes on income** | **3,679** | **-3,723** |

The current tax expense mostly comprises corporation tax including the solidarity surcharge.

The deferred tax expense arises primarily from deferred taxes on the valuation differences on investment properties at VIB Vermögen AG and BBI Immobilien AG.

In the previous year, a release of € 4,253 thousand was reported on deferred tax liabilities due to the deconsolidation of the beverages segment, and the related trade tax disjunction of BBI Immobilien AG.

The differences between the reported tax expense and the expected tax expense are reported in the statement of reconciliation below. The expected income tax expense arises from the earnings before taxes multiplied by the expected tax rate. The anticipated income tax rate includes the German corporation tax as well as the solidarity surcharge due on this amount. As a result of the further reduction in trade tax, this is not included in this tax rate. The anticipated tax rate is consequently 15.825 %. Any trade tax effects are recorded as reconciliation issues as part of reconciliation.

| in € thousand | 2011 | 2010 |
|---|---|---|
| **Earnings before income taxes** | **18,950** | 12,825 |
| Anticipated income tax rate: 15,825 % | | |
| Anticipated income tax expense | 2,999 | 2,030 |
| Change of trade tax status at BBI Immobilien AG (utilisation of expanded reduction from 2010) | 0 | -4,253 |
| Fiscal loss from restructuring within the Group | 0 | -77 |
| Tax-free income (especially § 8b KStG) | 0 | 31 |
| No capitalisation of loss carryforwards due to lack of earnings prospects | 0 | 4 |
| Taxes for previous years | -25 | -79 |
| Use of non-capitalized loss carryforwards | -10 | -33 |
| Impact of extraordinary and supplementary financial statements | 0 | -619 |
| Tax impact of subsidiaries and equity participations | 0 | -118 |
| Corporation tax on compensation payment | 46 | 55 |
| Tax rate differences (trade tax) | -153 | -402 |
| Effects relating to other accounting periods | 727 | 0 |
| Other | 95 | -262 |
| **Reported expense from taxes on income (previous year: tax income)** | **3,679** | **-3,723** |
| **Effective tax rate** | **19.41 %** | **-29.03 %** |

## 14. Profit / loss on discontinued operations

In the 2011 fiscal year, there are no earnings components arising from discontinued operations. In the previous year, this item included expenses and income from the „Beverages" segment that was deconsolidated as of July 6, 2010.

The net profits and losses of the Beverages segment, which are reported as discontinued operations in the consolidated income statement, are as follows:

| in € thousand | 2011 | 2010 |
|---|---|---|
| Revenue | 0 | 7,007 |
| Expenses | 0 | -6,603 |
| **Profit / loss on discontinued activities before taxes on income** | **0** | **404** |
| Taxes on income from ordinary activities | 0 | -38 |
| **Profit / loss on discontinued activities after taxes on income** | **0** | **366** |

## 15. Non-controlling shareholders' share of earnings

The consolidated net income in the amount of € 15,271 thousand includes non-controlling shareholders (BBI Immobilien AG, Gewerbepark Günzburg GmbH, ISG Infrastrukturelle Gewerbeimmobilien GmbH, VSI GmbH, IVM Verwaltung GmbH) totalling € 212 thousand (previous year: € 802 thousand).

## 16. Earnings per share

Basic and diluted earnings per share are calculated based on the following information:

| Earnings (in € thousand) | 2011 | 2010 |
|---|---|---|
| Consolidated net income | 15,271 | 16,914 |
| Less: Earnings attributable to non-controlling interests | -212 | -802 |
| Basis for **undiluted earnings** per share | **15,059** | **16,112** |
| Less: Profit/loss on discontinued operations | 0 | -366 |
| Basis for **undiluted earnings** per share for continuing operations | **15,059** | **15,746** |
| | | |
| Impact of dilutive potential shares | 245 | 247 |
| | | |
| Basis for **diluted earnings** per share | **15,304** | **16,359** |
| Less: Profit/loss on discontinued operations | 0 | -366 |
| Basis for **diluted earnings** per share for continuing operations | **15,304** | **15,993** |
| | | |
| **Number of shares** | | |
| Weighted average number of shares in circulation for undiluted earnings per share | 19,856,626 | 17,742,567 |
| Impact of dilutive potential shares | 658,242 | 662,766 |
| Weighted average number of shares in circulation for diluted earnings per share | 20,514,868 | 18,405,333 |
| **Undiluted earnings per share** | **0.76 €** | **0.91 €** |
| **Undiluted earnings per share for continuing operations** | **0.76 €** | **0.89 €** |
| **Diluted earnings per share** | **0.75 €** | **0.89 €** |
| **Diluted earnings per share for continuing operations** | **0.75 €** | **0.87 €** |

The dilutive potential ordinary shares are based on the formation of conditional capital (see No. 23); the modified earnings for the calculation of the diluted earnings per share were adjusted for the guaranteed dividend.

### Dividends paid

In fiscal year 2011, according to the resolution of the General Meeting on July 7, 2011, an amount of € 5,331,561.00 was disbursed from VIB Vermögen AG's 2010 net retained profits. This corresponds to a dividend of € 0.30 per share.

The Managing and Supervisory Boards of VIB Vermögen AG will propose to the shareholders at the company's General Meeting for fiscal year 2011, that a dividend of € 0.35 per share is disbursed from VIB Vermögen AG's net retained profits (total of € 7,465,089.80).

# 17. Intangible assets and property, plant and equipment

## 17.1 Intangible assets

| in € thousand | Goodwill | Other rights | Total |
|---|---|---|---|
| **Cost as of January 1, 2010** | **10** | **3,022** | **3,032** |
| Change to consolidation scope | -10 | -2,845 | -2,855 |
| Additions | 0 | 6 | 6 |
| Disposals | 0 | -58 | -58 |
| **As of December 31, 2010** | **0** | **125** | **125** |
| | | | |
| **Amortisation as of January 1, 2010** | **6** | **1,789** | **1,795** |
| Change to consolidation scope | -6 | -1,769 | -1,775 |
| Additions | 0 | 27 | 27 |
| Disposals | 0 | 0 | 0 |
| **As of December 31, 2010** | **0** | **47** | **47** |
| | | | |
| **Carrying amount December 31, 2010** | **0** | **78** | **78** |
| **Carrying amount January 1, 2010** | **4** | **1,233** | **1,237** |

| in € thousand | Goodwill | Other rights | Total |
|---|---|---|---|
| **Cost as of January 1, 2011** | **0** | **125** | **125** |
| Change to consolidation scope | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| **As of December 31, 2011** | **0** | **125** | **125** |
| | | | |
| **Amortisation as of January 1, 2011** | **0** | **47** | **47** |
| Change to consolidation scope | 0 | 0 | 0 |
| Additions | 0 | 25 | 25 |
| **As of December 31, 2011** | **0** | **72** | **72** |
| | | | |
| **Carrying amount December 31, 2011** | **0** | **53** | **53** |
| **Carrying amount January 1, 2011** | **0** | **78** | **78** |

## 17.2 Property, plant and equipment

| in € thousand | Land and buildings | Technical plant and machinery | Other plant, operating and office equipment | Advance payments and assets under construction | Total |
|---|---|---|---|---|---|
| **Cost as of January 1, 2010** | **8,657** | **9,419** | **21,606** | **32** | **39,714** |
| Additions | 0 | 17 | 332 | 15 | 364 |
| Disposals | -25 | 0 | 0 | -32 | -57 |
| Change to consolidation scope | -2,852 | -9,436 | -20,601 | 0 | -32,889 |
| Reclassification to investment properties | -5,780 | 0 | 0 | 0 | -5,780 |
| **As of December 31, 2010** | **0** | **0** | **1,337** | **15** | **1,352** |
| **Depreciation as of January 1, 2010** | **2,544** | **9,155** | **20,046** | **0** | **31,745** |
| Additions | 0 | 0 | 74 | 0 | 74 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Change to consolidation scope | -2,544 | -9,155 | -19,332 | 0 | -31,031 |
| Impairment losses | 0 | 0 | 0 | 0 | 0 |
| **As of December 31, 2010** | **0** | **0** | **788** | **0** | **788** |
| **Carrying amount December 31, 2010** | **0** | **0** | **549** | **15** | **564** |
| **Carrying amount January 1, 2010** | **6,113** | **264** | **1,560** | **32** | **7,969** |

| in € thousand | Land and buildings | Technical plant and machinery | Other plant, operating and office equipment | Advance payments and assets under construction | Total |
|---|---|---|---|---|---|
| **Cost as of January 1, 2011** | **0** | **0** | **1,337** | **15** | **1,352** |
| Additions | 0 | 0 | 38 | 0 | 38 |
| Disposals | 0 | 0 | 0 | -15 | -15 |
| Change to consolidation scope | 0 | 0 | 0 | 0 | 0 |
| Reclassification to investment properties | 0 | 0 | -7 | 0 | -7 |
| **As of December 31, 2011** | **0** | **0** | **1,368** | **0** | **1,368** |
| **Depreciation as of January 1, 2011** | **0** | **0** | **788** | **0** | **788** |
| Additions | 0 | 0 | 66 | 0 | 66 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Change to consolidation scope | 0 | 0 | 0 | 0 | 0 |
| Impairment losses | 0 | 0 | 0 | 0 | 0 |
| **As of December 31, 2011** | **0** | **0** | **854** | **0** | **854** |
| **Carrying amount December 31, 2011** | **0** | **0** | **514** | **0** | **514** |
| **Carrying amount January 1, 2011** | **0** | **0** | **549** | **15** | **564** |

## 18. Investment properties

| in € thousand | 2011 | 2010 |
|---|---|---|
| Carrying amount January 1 | 639,572 | 638,019 |
| Additions | 22,149 | 4,926 |
| Disposals | -9,130 | -6,732 |
| Currency effects | -55 | -122 |
| Reclassification from property, plant and equipment | -7 | 5,780 |
| Unrealised increases in market value | 5,111 | 7,216 |
| Unrealised reductions in market value | -4,785 | -9,515 |
| **Carrying amount December 31** | **652,855** | **639,572** |

The investment properties (IAS 40) comprise real estate from the company's core business that is held for rental, and to generate value appreciation. The company accounts for the properties using the fair value model. External experts were used to ascertain the properties' value.

The properties are mostly commercial properties, which are mostly let long term to well-known commercial tenants.

The investment properties are encumbered with land charges and mortgages in connection with the long and short term financial liabilities taken out for financing.

## 19. Interests in associated companies

The investments in companies included in the consolidated financial statements as associated companies were included in the consolidated financial statements in line with the equity method set out in IAS 28, and were recognised at the corresponding remeasured equity.

| in € thousand | 2011 | 2010 |
|---|---|---|
| VIMA Grundverkehr GmbH | 179 | 14 |
| BHB Brauholding Bayern Mitte AG | 2,548 | 2,739 |
| | **2,727** | **2,753** |

The at-equity participations changed as follows in the year under review:

| in € thousand | VIMA Grundverkehr GmbH | BHB Brauholding AG |
|---|---|---|
| **As of January 1, 2011** | **14** | **2,739** |
| Proportion of annual earnings 2011 | 307 | 325 |
| Measurement according to IAS 28.33 | -142 | -516 |
| **As of December 31, 2011** | **179** | **2,548** |

As a result of its proportionate interests, the following assets and liabilities are due to the Group as of December 31, 2011:

| in € thousand | VIMA Grundverkehr GmbH | BHB Brauholding AG |
|---|---|---|
| Assets | 753 | 5,477 |
| Liabilities | 574 | 2,716 |
| Revenue | 188 | 5,713 |
| Profit for the period | 307 | 325 |

## 20. Financial Assets

| in € thousand | 2011 | 2010 |
|---|---|---|
| **Acquisition costs as of January 1** | **330** | **2,147** |
| Additions | 48 | 1,364 |
| Deconsolidation | 0 | -3,181 |
| **Net carrying amount on December 31** | **378** | **330** |
| | | |
| **Composition of financial assets** | | |
| Loan: VIMA Grundverkehr GmbH | 378 | 330 |
| **Financial assets on December 31** | **378** | **330** |

No impairment charges were reported as of December 31, 2011.

## 21. Receivables and other assets

| in € thousand | 2011 | 2010 |
|---|---|---|
| Trade receivables | 1,483 | 6,454 |
| Other assets | 964 | 644 |
| | **2,447** | **7,098** |

The trade receivables are mostly from renting, and the capitalization of the settlement of incidental costs due from tenants.

Individual write downs were required in the amount of € 75 thousand (previous year: € 82 thousand). In the previous 2010 fiscal year, this item also included a purchase price receivable arising from the sale of a property in an amount of € 5,150 thousand.

Other assets primarily relate to maintenance reserves, VAT reimbursement claims and short-term loans extended.

All accounts receivable and other assets have a residual term of less than one year.

The changes in write-downs are shown in the following table:

| in € thousand | 2011 | 2010 |
|---|---|---|
| Balance – start of year | 82 | 279 |
| Additions | 29 | 34 |
| Consumed in derecognition | -21 | -85 |
| Deconsolidation | 0 | -60 |
| Reversals | -15 | -86 |
| | **75** | **82** |

When determining whether trade receivables are impaired, every change in credit rating since the time when the payment target was granted through to the balance sheet date is taken into account. There is no notable concentration in the credit risk, as there is a broadly distributed customer base and there are no correlations. Correspondingly, the management is convinced that no risk provisions are required over and above the impairment already recorded.

The present value of the trade receivables corresponds to the carrying amount. Additions to impairment charges during the fiscal year are carried in the income statement under other operating expenses, and reversals are carried under other operating income.

The receivables from income taxes (€ 253 thousand) are mainly due to the corporation tax refund claims at VIB Vermögen AG, and corporation tax credits at BBI Immobilien AG, which is due to the change from the imputation tax credit system to the half income method.

## 22. Bank deposits and cash

This item is used to disclose cash in hand and bank balances with a term of less than three months as well as financial securities with an original term of less than three months. This item is mostly attributable to VIB Vermögen AG (€ 16,967 thousand; previous year: € 4,158 thousand), and BBI Immobilien AG (€ 8,404 thousand; previous year: € 1,520 thousand).

## 23. Equity

### Subscribed capital

VIB Vermögen AG's subscribed capital in the amount of € 21,328,828 (previous year: € 17,771,870) comprises 21,328,828 no-par value bearer shares (previous year: 17,771,870). The shares have a theoretical par value of € 1 each. All issued shares are fully paid in.

The increase is due to the ordinary capital increase that was performed in the year under review. As part of a non-public offering, a total of 3,554,374 new ordinary bearer shares were offered for subscription at a subscription price of € 8 per share. Existing shareholders subscribed for 47 % of the capital increase through exercising subscription rights in a 5:1 ratio. The remaining 53 % of the shares were offered to institutional investors for purchase as part of a private placing. These institutional investors' subscriptions were scaled back due to oversubscription.

Minority shareholders in BBI Immobilien AG also accepted the offer to exchange their shares into shares in VIB Vermögen AG. As BBI Immobilien AG shareholders accepted this offer during the reporting period, VIB Vermögen AG's subscribed capital increased correspondingly. A total of 2,586 shares were issued in fiscal year 2011.

### Share premium

The share premium arises from the share premium of VIB Vermögen AG (adjusted to reflect capital procurement costs after tax). The share premium increased from € 99,131,520.07 to a total of € 123,707,276.01 in connection with the capital increase that was performed, and the exchange of shares in BBI Immobilien AG into shares in VIB Vermögen AG.

The share premium increased by a net amount of € 24,561 thousand due to the ordinary capital increase at VIB AG. The share exchange from BBI shares into VIB shares increased the share premium by a further amount of € 15 thousand.

### Retained earnings

As part the preparation of it annual financial statements as of December 31, 2011, VIB Vermögen AG's Managing Board added € 1,893 thousand to retained earnings.

### Net retained profits

The Group's net retained profits derives from the previous year's net retained profits less the distribution for 2010 (€ 5,332 thousand), the addition to retained earnings (€ 1,893 thousand), plus the current consolidated net income from fiscal year 2011 due to Group shareholders (€ 15,060 thousand).

### Cash flow hedges

The cash flow hedge reserve is used to carry the market value of cash flow hedge derivatives (taking deferred taxes into account), to the extent that these serve to hedge (interest) cash flows for concrete underlying transactions.

### Reserve for foreign currency conversion

This reserve includes the differences from the conversion of foreign currencies at the foreign subsidiaries to the Group's functional currency.

### Non-controlling shareholders' share of earnings

The share for non-controlling shareholders is attributable to the interests in BBI Immobilien AG, Gewerbepark Günzburg GmbH, ISG Infrastrukturelle Gewerbeimmobilien GmbH, VSI GmbH and IVM GmbH.

This item developed as follows:

| in € thousand | 2011 | 2010 |
|---|---|---|
| Balance – start of year | 7,917 | 7,905 |
| Distribution to shareholders | -85 | -625 |
| Share of annual earnings | 212 | 802 |
| Non-controlling shareholders' share of other comprehensive income | -106 | -89 |
| Recognition of share of non-controlling shareholders in ISG GmbH | 1,250 | 0 |
| Recognition of share of non-controlling shareholders in BHB Brauholding AG | 0 | 1,121 |
| Deconsolidation of BHB Brauholding AG | 0 | -1,197 |
| **Balance – end of year** | **9,188** | **7,917** |

### Authorised capital

The annual general meeting on July 26, 2007 adopted a resolution to create authorised capital in the amount of € 3,416,800. This authorised capital has been utilised in full as part of the capital increase implemented in June 2011.

The annual general meeting on July 6, 2010 adopted a resolution to create further authorised capital (authorised capital 2010) in the amount of € 5,451,147. Of this amount the sum of € 137,574 was utilised via the increase in capital in June 2011. As a result this authorised capital now amounts to € 5,313,573. The authority granted to the Managing Board with the consent of the Supervisory Board to issue new shares in return for contributions in cash and kind endures until July 5, 2015.

### Conditional capital

Conditional capital totalling € 1,356,114 was created by way of a resolution by the General Meeting on June 25, 2008 for the outstanding shareholders of BBI Bürgerliches Brauhaus Immobilien AG, who were granted the option of exchanging their shares for shares of VIB Vermögen AG. Shareholders of BBI Immobilien AG utilised this right of exchange during the fiscal year. A total of 1,784 shares of BBI Immobilien AG were exchanged. A total of € 690,454.00 of conditional capital was applied to exchange shares in BBI Immobilien AG into shares in VIB Vermögen AG until December 31, 2011. The participating interest in BBI Immobilien AG increased from 82.01 % as of December 31, 2008, to 91.27 % at the end of 2011.

With a resolution of the General Meeting of July 7, 2009, further conditional capital of € 3,416,800 was created. None of this conditional capital had been utilised as of December 31, 2011, since no convertible or warrant bonds have yet been issued.

### Deferred taxes on income and expenses taken directly to equity

The following table shows individual details of the expenses and income taken directly to equity:

| in € thousand | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Before tax | Taxes | After tax | Before tax | Taxes | After tax |
| Foreign currency effects on translation from independent subsidiaries | -32 | 0 | -32 | -85 | 0 | -85 |
| Mark-to-market valuation of cash flow hedges | -2,610 | 448 | -2,162 | -1,621 | -61 | -1,682 |
| Income and expenses taken directly to equity | -2,642 | 448 | -2,194 | -1,706 | -61 | -1,767 |

## 24. Profit participation capital

VIB Vermögen AG issued profit-participation rights with a repayment amount of € 675 thousand in 2003. The profit-participation certificates bear interest of 5 % in the event of profits. The profit-participation certificates participate in losses, and in the event of liquidation or insolvency proceedings, they are served after other creditors have been satisfied.

The profit-participation certificates have an indefinite term. The holders of the profit-participation certificates and VIB Vermögen AG can terminate the profit-participation rights at the earliest with a notice period of two years to the end of the year from the date of their issue.

No changes occurred in the 2011 fiscal year. An amount of € 5 thousand was cancelled as of the end of the 2012 fiscal year.

## 25. Non-current financial debt

| in € thousand | 2011 | 2010 |
|---|---|---|
| Remaining term between 1 and 5 years | 69,507 | 85,854 |
| Remaining term more than 5 years | 259,060 | 265,954 |
| | **328,567** | **351,808** |

Financial liabilities with a term of more than twelve months are loans for the following Group companies:

| in € thousand | 2011 | 2010 |
|---|---|---|
| VIB Vermögen AG | 218,157 | 221,515 |
| BBI Bürgerliches Brauhaus Immobilien AG | 91,370 | 114,343 |
| ISG Infrastrukturelle Gewerbeimmobilien GmbH | 6,759 | 0 |
| VSI GmbH | 5,151 | 5,329 |
| Gewerbepark Günzburg GmbH | 4,928 | 5,177 |
| IVM Verwaltung GmbH | 1,869 | 5,079 |
| Merkur GmbH | 333 | 365 |
| | **328,567** | **351,808** |

The non-current financial liabilities are secured by land charges on the investment properties and the pledging of rental claims and a securities account.

## 26. Liabilities arising from derivative financial instruments

The Group uses interest rate swaps to spread risk and optimize interest expenses connected with the bank loans drawn down.

One derivative (CHF foreign currency derivative) also exists whose market value changes are presented separately in the income statement (€ -1,091 thousand).

| Derivative financial instruments (in € thousand) | 2011 | 2010 |
|---|---|---|
| Interest-rate swaps (payer swaps) | 9,247 | 6,637 |
| CHF derivative | 2,993 | 2,612 |
| | **12,240** | **9,249** |

## 27. Deferred tax

Deferred taxes result from the different carrying amounts under IFRS and the tax base for the Group companies and from consolidation activities.

The deferred tax liabilities and the deferred tax assets are spread among the following items:

| Deferred tax assets (in € thousand) | 2011 | 2010 |
|---|---|---|
| Derivative assets | 2,113 | 1,559 |
| Pension provisions/other | 32 | 35 |
| Intragroup profit elimination | 23 | 0 |
| Loss carried forward | 5 | 12 |
| **Total deferred tax assets** | **2,173** | **1,606** |

| Deferred tax liabilities (in € thousand) | 2011 | 2010 |
|---|---|---|
| Investment properties | 18,987 | 16,232 |
| **Total deferred tax liabilities** | **18,987** | **16,232** |

| | | |
|---|---|---|
| Netting of deferred tax assets and liabilities | -1,754 | -1,240 |

| Carrying amount after netting (in € thousand) | 2011 | 2010 |
|---|---|---|
| **Deferred tax assets** | **419** | **366** |
| **Deferred tax liabilities** | **17,233** | **14,992** |

Deferred tax assets and deferred tax liabilities are netted if they are for the same tax authority.

Losses carried forward on December 31, 2011 were as follows:

- Trade tax € 25 thousand (previous year: € 0 thousand)
- Corporation tax € 38 thousand (previous year: € 76 thousand)

As a result of the further reduction, no deferred taxes have been capitalized on trade-tax losses. Deferred tax assets were formed for € 38 thousand of corporation tax loss carryforwards.

No deferred tax liabilities were recognised for € 14,736 thousand of outside basis differences since the parent company is able to control a reversal, and reversal is currently not anticipated.

## 28. Pension provisions

Provisions for pensions include the commitments for company retirement benefits to entitled persons and their survivors. The pension commitments are based on individual contractual benefit commitments. The entitled persons can generally claim a fixed old-age and invalidity pension when they reach pensionable age (63 to 65) depending on their period of service. Other benefits after the end of the employment relationship are not foreseen.

The Group's commitments from retirement benefit plans totalling € 1,034 thousand as disclosed on the balance sheet corresponds to their projected unit credit value.

| in € thousand | 2011 | 2010 |
|---|---|---|
| **Balance – January 1** | **1,059** | **750** |
| Newly acquired benefit claims | 0 | 355 |
| Interest cost | 47 | 42 |
| Pensions paid | -118 | -137 |
| Actuarial gains/losses | 46 | 49 |
| **Balance as of December 31** | **1,034** | **1,059** |

The expenses for benefits included in personnel expenses is broken down as follows:

| in € thousand | 2011 | 2010 |
|---|---|---|
| Newly acquired benefit claims | 0 | 355 |
| Interest cost | 47 | 42 |
| Actuarial gains/losses | 46 | 49 |
| **Balance as of December 31** | **93** | **446** |

Calculated actuarial assumptions:

| in % | 2011 | 2010 |
|---|---|---|
| Discount interest rate | 4.60 - 5.14 | 5.15 - 5.40 |
| Pension trend | 2.00 | 2.00 |
| Salary trend | 0.00 | 0.00 |

The salary trend was carried at 0.0 % – as was also the case for the probability of fluctuation – as the benefit commitments – with one exception – are only to employees who already receive a pension.

## 29. Other non-current liabilities

Other non-current liabilities mainly include liabilities from lease deposits and trade payables.

| in € thousand | 2011 | 2010 |
|---|---|---|
| Trade payables | 1,349 | 2,176 |
| Payables from deposits | 0 | 17 |
| | **1,349** | **2,193** |

## 30. Current financial debt

The current financial debt mostly relates to current bank borrowings. This item includes current account credit lines that can be terminated at short notice, short term loans and redemption payments for long-term loans due within one year of the balance sheet date.

Current financial liabilities are from the following companies:

| in € thousand | 2011 | 2010 |
|---|---|---|
| VIB Vermögen AG | 52,244 | 61,548 |
| BBI Bürgerliches Brauhaus Immobilien AG | 22,994 | 3,796 |
| ISG Infrastrukurelle Gewerbeimmobilien GmbH | 391 | 0 |
| Gewerbepark Günzburg GmbH | 259 | 274 |
| IVM Verwaltung GmbH | 184 | 243 |
| VSI GmbH | 178 | 1,230 |
| Merkur GmbH | 32 | 32 |
| | **76,282** | **67,123** |

The current financial liabilities are secured by land charges and the pledging of rental claims and a securities account (including shares in the fully consolidated BBI Immobilien AG).

## 31. Provisions

The amounts carried as provisions relate to transactions from fiscal year 2011 or earlier years, that have led to a current obligation by the company and which are expected to lead to an outflow of resources. However, there is uncertainty surrounding the date on which these will become due and the exact amount of the liability.

There were no obligations with notable uncertainties as of December 31, 2011. As a consequence, all corresponding amounts are reported among liabilities.

## 32. Liabilities from income tax

The reported liabilities from income taxes of € 81 thousand (previous year: € 21 thousand) relate to current tax liabilities for 2011 for VIB Vermögen AG (€ 60 thousand) and VSI GmbH (€ 21 thousand).

## 33. Liabilities to participations

The reported liabilities relate to liabilities of fully consolidated shareholders to their non-controlling shareholders. This instance relates to interest-bearing liabilities on the part of VSI GmbH.

## 34. Other liabilities

| in € thousand | 2011 | 2010 |
|---|---|---|
| Trade payables | 5,144 | 737 |
| Miscellaneous short-term liabilities | 2,855 | 4,721 |
| | **7,999** | **5,458** |

## 35. Segment reporting

Please refer to the comments under Item D for the scope of the segment reporting.

Pursuant to IFRS 8, VIB Vermögen AG defines its primary business area, as in the previous year, as the utilisation and development of its own real estate portfolio (Real Estate segment). With the IPO of BHB Brauholding AG, the area entailing the production and sale of beer and non-alcoholic drinks (Beverages segment) was relinquished as of July 6, 2010, and consequently deconsolidated.

One reporting segment pursuant to IFRS 8 was calculated since the Group's business activities are restricted almost exclusively to the rental of properties to predominantly commercial tenants in Germany. This segment comprises all of the VIB Group's operating activities.

As business activities are geared almost exclusively to Germany, there is no secondary reporting format „Regions" in the company's internal reporting. As a result, this type of segmentation has not been performed. Internal reporting to the Managing Board is in line with this reporting.

## 36. Cash flow statement

The consolidated cash flow statement shows how the VIB Group's cash and cash equivalents have changed in the year under review and the previous year. Cash flows are broken down in line with IAS 7 into cash flows from operating activities, investing activities and financing activities.

The cash and cash equivalents in the amount of € 27,001 thousand (previous year: € 6,222 thousand) comprises the balance sheet items cash and cash equivalents, which includes checks, cash on hand, bank balances as well as financial securities with an original term of less than three months.

The cash flow statement starts with consolidated net income. The cash flow from operating activities shows the surplus income before any funds are tied up. The cash flow from operating activities also includes the change in working capital. Interest expenses are allocated to cash flow from financing activities in this context.

## 37. Other financial liabilities and contingent liabilities

Contingent liabilities are existing or future liabilities that are based on past events, however for which an outflow of resources is not estimated as being probable. According to IAS 37, these liabilities are to be listed in the notes. There were no contingent liabilities to recognise as of December 31, 2011 or in the previous year.

As a result of the profit-and-loss-transfer agreement with BBI Bürgerliches Brauhaus Immobilien AG, payment commitments to outstanding shareholders were reported totalling approximately € 245 thousand through to the first possible termination of the agreement (December 31, 2012) depending on the use of the possible share swap for the shareholders of BBI Immobilien AG.

With a divestiture registration date of September 12, 2003, BBI Bürgerliches Brauhaus Immobilien AG divested its brewery business with all assets and liabilities to Herrnbräu GmbH & Co. KG. With the expiry of liability pursuant to Sections 133 et seq. of the German Company Transformation Act (UmwG) of BBI Bürgerliches Brauhaus Immobilien AG, land charges of € 5,568 thousand encumber the brewery premises at Manchinger Strasse 95, Ingolstadt, to the benefit of Herrnbräu GmbH & Co. KG. Herrnbräu GmbH & Co. KG is an associated company of BHB Brauholding Bayern-Mitte AG, in which BBI Bürgerliches Brauhaus Immobilien AG holds a 35.5 % interest. Utilisation is not anticipated as of the balance sheet date due to the business and commercial circumstances.

Shares in the provident fund of Bürgerliches Brauhaus Ingolstadt GmbH were transferred to BHB Brauholding Bayern-Mitte AG in 2010. BBI Bürgerliches Brauhaus Immobilien AG is indirectly liable on the basis of subsidiary liability for the rendering of company pensions. Utilisation is not anticipated as of the balance sheet date due to the business and commercial circumstances.

Purchase agreements to acquire five properties were also concluded in December 2011. The resultant purchase price of € 30.2 million was settled at the start of 2012.

## 38. Leases

### VIB Vermögen AG as lessor

As part of its operating business activities, VIB Vermögen AG leases the investment properties carried on its balance sheet as part of operating leases.

For fiscal years from 2012, VIB AG will receive the following minimum lease payments from un-cancellable existing rental agreements.

| in € thousand | 2011 | 2010 |
|---|---|---|
| Due within one year | 44,387 | 43,178 |
| Due within 1 to 5 years | 134,360 | 131,614 |
| Due in more than 5 years | 137,354 | 161,659 |
| | **316,101** | **336,451** |

The minimum leasing payments include the contractually agreed payments from tenants through to the end of the contract or the earliest possible date of termination.

### VIB Vermögen AG as lessee

If leases are to be classified as operating leases, the rental payments are distributed over the term of the lease in the earnings for the period using the straight line method, and are included in other operating expenses.

On the balance sheet date, the Group had open obligations from operating leases that were due as follows:

| in € thousand | 2011 | 2010 |
|---|---|---|
| Remaining term 1 year to 5 years | 44 | 54 |
| Remaining term up to 1 year | 108 | 124 |
| Remaining term > 5 years | 0 | 1 |
| | **152** | **179** |

Payments from operating leases relate to vehicles and office equipment. Leases are concluded for an average term of three to four years. The lease agreements do not include any conditional rental payments or price adjustment clauses. As a rule, extension and purchase options are not used.

## 39. Liquidity and net asset risk

The liquidity risk is the scenario in which the Group cannot pay its own liabilities. The Group controls its liquidity centrally such that it has sufficient funds available at all times in order to service its liabilities when these are due. As of December 31, 2011 the Group had reasonable lines of credit available in a sufficient amount that had not yet been used.

The following table shows when the financial liabilities are due. The table is based on undiscounted cash flows. Financial liabilities are allocated to the earliest band of maturities in which the Group can be obligated to make a payment, even if the Group expects that part of the liabilities will only have to be paid later than the earliest date on which they are due.

| in € thousand | Bank loans with variable interest | Bank loans with fixed interest | Trade payables | Other non-current and current liabilities |
|---|---|---|---|---|
| **Term analysis as of December 31, 2011** | | | | |
| Due in 1 - 12 months | 62,909 | 15,016 | 1,853 | 3,498 |
| Due in 12 - 60 months | 11,506 | 53,554 | 4,640 | 0 |
| Due in more than 60 months | 30,396 | 231,468 | 0 | 0 |
| | | | | |
| **Term analysis as of December 31, 2010** | | | | |
| Due in 1 - 12 months | 50,020 | 15,726 | 737 | 5,138 |
| Due in 12 - 60 months | 33,369 | 53,862 | 2,193 | 17 |
| Due in more than 60 months | 27,844 | 238,111 | 0 | 0 |

As of December 31, 2011, the average interest rate for the financial liabilities was 4.50 % (previous year: approx. 4.45 %).

Changes to interest rates are shown in sensitivity analyses in line with IFRS 7. These show the effects of changes in the market interest rates on financial income and expenses and on equity. There is not a significant concentration of interest rate risks in the Group.

The Group takes out non-current liabilities to banks at fixed and variable interest rates. Changes in market interest rates for bank liabilities with fixed interest rates only impact earnings if these are measured at fair value. These are then always measured at amortised cost. As a result, non-current liabilities to banks with fixed interest rates are not subject to any risks of interest rate changes within the meaning of IFRS 7. Non-current bank borrowings with variable interest rates are, in part, hedged against the risk of interest rate changes using interest rate swaps; there is consequently no risk of interest rate changes. The changes in the market value of the interest rate swaps are included in the statement of changes in shareholders' equity. The volume and term of the interest rate swaps are geared to the repayment structure for the financial borrowing.

Changes in market interest rates for interest rate swaps classified as hedges impact the hedge reserve under equity and are consequently taken into account in equity-related sensitivity calculations.

Changes in the market interest rate impact the interest result for short-term variable-interest bank loans, for which interest payments are not intended to be underlying transactions as part of a hedge, and are consequently taken into account in the earnings and equity-related sensitivity calculations.

If the market interest level had been 100 basis points higher (lower) in 2011, earnings would have been € 954 thousand lower (higher) and equity (before the earnings effect) would have been € 3,314 thousand higher (lower).

## 40. Foreign currency risks

VIB Vermögen AG's foreign currency risks mostly result from bank borrowings denominated in Swiss francs. Receivables and liabilities between German and foreign Group companies that are not denominated in the functional currency also constitute an exchange rate risk for the VIB Group. In order to show market risks, IFRS 7 calls for sensitivity analyses which show the impact of hypothetical changes in relevant risk variables on earnings and equity.

The carrying amount of the Group's monetary assets and liabilities denominated in foreign currencies on the balance sheet date of December 31, 2011, was as follows:

| in € thousand | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Liabilities in CHF | 10,273 | 10,688 |
| Assets in CZK | 2,736 | 2,790 |
| Liabilities in CZK | 0 | 6 |

If the euro had been 10 % stronger compared to the Swiss franc on December 31, 2011, profits and consequently equity would have been € 3,123 thousand (previous year: € 2,585 thousand) higher. If the Swiss franc had been 10 % weaker, this would have caused profits and consequently equity to be € 3,026 thousand (previous year: € 4,045 thousand) lower.

If the euro had been 10 % stronger compared to the Czech kroner, profits and consequently equity would have been € 274 thousand (previous year: € 278 thousand) lower.

## 41. Default risks

The maximum default risk is reflected by the carrying amount of each financial asset on the balance sheet. The breakdown of carrying amounts into balance sheet items and categories within the meaning of IFRS 7 can be seen in the „Notes to the balance sheet". There were no other material risks of default in the accounts.

There is no de facto risk of default for cash and cash equivalents and derivative financial instruments, as these are held by banks with excellent credit ratings as certified by ratings agencies. The following considerations consequently focus on „Loans and receivables". This affects the balance sheet items non-current and current financial investments, trade receivables and other receivables and assets.

The following table quantifies the loans and receivables that have been written down individually as well as the overdue loans and receivables not yet written down:

| in € thousand | Non-current and current financial assets | Trade receivables | Miscellaneous receivables and assets |
|---|---|---|---|
| **Loans and receivables – December 31, 2011** | | | |
| Gross carrying amount | 378 | 1,558 | 963 |
| Of which with individual impairment losses | 0 | 31 | 0 |
| Overdue in 1 - 12 months | 0 | 44 | 0 |

| in € thousand | Non-current and current financial assets | Trade receivables | Miscellaneous receivables and assets |
|---|---|---|---|
| **Loans and receivables – December 31, 2010** | | | |
| Gross carrying amount | 330 | 6,489 | 644 |
| Of which with individual impairment losses | 0 | 37 | 0 |
| Overdue in 1 - 12 months | 0 | 37 | 0 |

In the case of the trade receivables and other receivables and assets that were not impaired nor in default, there were no signs on the balance sheet date that the debtor would not fulfil their payment obligations.

On the balance sheet date investments focused on the „Garden Centre Portfolio". This resulted in a temporary concentration in the tenant structure.

The fair value of the cash and cash equivalents, current receivables and liabilities roughly corresponds to their carrying amounts. This is due, in particular to these instruments' short terms.

## 42. Categories of financial instruments

Financial assets and financial liabilities are broken down into various categories of financial instruments according to IAS 39 and IFRS 7. Totals are also shown for the valuation categories. The following table shows the carrying amounts of all categories of financial assets and liabilities:

| in € thousand | IAS 39 and IFRS 7 measurement categories | IFRS 7 fair value category | Carrying amount as of 31/12/2011 | Fair value as of 31/12/2011 | Of which at amortised cost | Of which at fair value through P&L | Of which at fair value through equity | Of which not in IFRS 7 application scope |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Non-current financial assets and loans | LaR | n.a. | 378 | 378 | 378 | | | |
| Receivables and other assets | | | | | | | | |
| Trade receivables | LaR | n.a. | 1,483 | 1,483 | 1,483 | | | |
| Other assets | LaR | n.a. | 963 | 963 | 963 | | | |
| Receivables from income tax | n.a. | n.a. | 253 | 253 | | | | 253 |
| Bank deposits and cash | LaR | n.a. | 27,001 | 27,001 | 27,001 | | | |
| **EQUITY AND LIABILITIES** | | | | | | | | |
| Profit participation capital | FLAC | n.a. | 665 | 665 | 665 | | | |
| Non-current and current financial liabilities | FLAC | n.a. | 404,849 | 427,731 | 404,849 | | | |
| Hedge accounting derivatives | CF hedge | Level 2 | 9,247 | 9,247 | | | 9,247 | |
| Derivatives not subject to hedge accounting | FLHfT | Level 2 | 2,993 | 2,993 | | 2,993 | | |
| Other long-term liabilities | | | | | | | | |
| Trade payables | FLAC | n.a. | 1,349 | 1,254 | 1,349 | | | |
| Income tax liabilities | n.a. | n.a. | 81 | 81 | | | | 81 |
| Liabilities to participations | FLAC | n.a. | 182 | 182 | 182 | | | |
| Other current liabilities | | | | | | | | |
| Trade payables | FLAC | n.a. | 5,144 | 5,144 | 5,144 | | | |
| Miscellaneous liabilities | FLAC | n.a. | 2,855 | 2,855 | 2,855 | | | |
| | | | | | | | | |
| **Of which aggregated according to IAS 39 measurement categories** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Loans and Receivables (LaR) | | | 29,825 | 29,825 | | | | |
| | | | | | | | | |
| **Financial liabilities** | | | | | | | | |
| Financial Liabilities At Cost (FLAC) | | | 415,044 | 437,831 | | | | |
| Financial Liabilities Held for Trading (FLHfT) | | | 2,993 | 2,993 | | | | |
| Derivatives with cash flow hedge | | | 9,247 | 9,247 | | | | |

| in € thousand | IAS 39 and IFRS 7 measurement categories | IFRS 7 fair value category | Carrying amount as of 31/12/2010 | Fair value as of 31/12/2010 | Of which at amortised cost | Of which at fair value through P&L | Of which at fair value through equity | Of which not in IFRS 7 application scope |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Non-current financial assets and loans | LaR | n.a. | 330 | 330 | 330 | | | |
| Receivables and other assets | | | | | | | | |
| Trade receivables | LaR | n.a. | 6,452 | 6,452 | 6,452 | | | |
| Other assets | LaR | n.a. | 644 | 644 | 644 | | | |
| Receivables from income tax | n.a. | n.a. | 95 | 95 | | | | 95 |
| Bank deposits and cash | LaR | n.a. | 6,222 | 6,222 | 6,222 | | | |
| **EQUITY AND LIABILITIES** | | | | | | | | |
| Profit participation capital | FLAC | n.a. | 665 | 665 | 665 | | | |
| Non-current and current financial liabilities | FLAC | n.a. | 418,931 | 430,634 | 418,931 | | | |
| Hedge accounting derivatives | CF hedge | Level 2 | 6,637 | 6,637 | | | 6,637 | |
| Derivatives not subject to hedge accounting | FLHfT | Level 2 | 2,612 | 2,612 | | 2,612 | | |
| Other long-term liabilities | | | | | | | | |
| Trade payables | FLAC | n.a. | 2,193 | 2,038 | 2,193 | | | |
| Income tax liabilities | n.a. | n.a. | 21 | 21 | | | | 21 |
| Liabilities to participations | FLAC | n.a. | 434 | 434 | 434 | | | |
| Other current liabilities | | | | | | | | |
| Trade payables | FLAC | n.a. | 737 | 737 | 737 | | | |
| Miscellaneous liabilities | FLAC | n.a. | 4,721 | 4,721 | 4,721 | | | |
| | | | | | | | | |
| **Of which aggregated according to IAS 39 measurement categories** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Loans and Receivables (LaR) | | | 13,648 | 13,004 | | | | |
| | | | | | | | | |
| **Financial liabilities** | | | | | | | | |
| Financial Liabilities At Cost (FLAC) | | | 427,681 | 439,229 | | | | |
| Financial Liabilities Held for Trading (FLHfT) | | | 2,612 | 2,612 | | | | |
| Derivatives with cash flow hedge | | | 6,637 | 6,637 | | | | |

Financial instruments carried at fair values are measured using the following valuation categories:

Level 1: Valuation using an asset or liability with an identical price on an active market.

Level 2: Valuation using stock market or market prices for similar assets or liabilities or derived from prices that can be observed.

Level 3: Valuation using valuation methods that are not based on market data that can be observed.

The VIB Group has pledged financial assets in the amount of € 46,178 thousand (this amount corresponds to the carrying amount of the shares held in BBI Immobilien AG) as security for loans drawn down. The carrying amount of the collateral is less than the fair value.

The following net gains and losses were recorded for the individual categories of financial assets and liabilities in the income statement and statement of comprehensive income:

| in € thousand | 2011 | 2010 |
|---|---|---|
| Loans and receivables | 8 | -37 |
| Bank deposits and cash | 301 | 62 |
| Assets and liabilities measured at fair value through profit or loss | -1,091 | -2,865 |
| Of which: Held for trading | -1,091 | -2,865 |
| Available-for-sale financial assets | 0 | 0 |
| Financial liabilities carried at amortised cost | -17,096 | -16,437 |
| Derivative financial instruments designated and effective as hedging instruments (cash flow hedges) | -4,095 | -3,417 |
| Of which carried in Group earnings | -1,484 | -1,796 |
| Of which carried in other comprehensive income | -2,611 | -1,621 |

The net gains comprise interest expenses, interest income, dividends, impairment charges and reversals of impairment charges, as well as valuation gains/losses on financial instruments. Commissions and fees for financial liabilities carried cost incurred € 84 thousand of charges to earnings.

As part of its risk management, the company mostly uses interest rate swaps to hedge against interest rate risks from variable-interest loans. It mostly uses cash flow hedges, which compensate for the risks from future changes in interest cash flows.

## 43. Capital risk management

The Group manages its capital with the aim of maximizing income for its stakeholders by optimizing the equity/borrowing ratio. This ensures that all of the Group companies can operate as going concerns.

The Group's capitalization comprises liabilities, cash and cash equivalents and the equity due to investors in the parent company. This is made up of the issued shares and reserves.

Capital management aims to ensure the going concern assumption and to bring an adequate return on equity.

Capital is monitored based on economic equity. Economic equity is the balance sheet equity. Liabilities are defined as being non-current and current financial liabilities, provisions and other liabilities.

Balance sheet equity and the total assets are as follows:

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| Equity (in € thousand) | 240,828 | 203,785 |
| Equity as % of total capital | 35.1 % | 31.0 % |
| | | |
| Liabilities (in € thousand) | 446,012 | 453,392 |
| Liabilities as % of total capital | 64.9 % | 69.0 % |
| | | |
| Total capital (equity plus liabilities, in € thousand) | 686,840 | 657,177 |

## 44. Executive bodies of the company

During fiscal year 2011, the company's Managing Board comprised:

Ludwig Schlosser (mathematics graduate), Neuburg/Danube, CEO

Activities in controlling bodies on December 31, 2011, were as follows:

- Chairman of the Supervisory Board of BBI Bürgerliches Brauhaus Immobilien AG, Ingolstadt
- Chairman of the Supervisory Board of BHB Brauholding Bayern-Mitte AG, Ingolstadt
- Chairman of the Supervisory Board of Raiffeisen-Volksbank Neuburg/Danube eG, Neuburg/Danube

Peter Schropp, Wörthsee, responsible for the Real Estate segment, also Member of the Managing Board of BBI Bürgerliches Brauhaus Immobilien AG, Ingolstadt

Activities in controlling bodies on December 31, 2011, were as follows:

- Member of the Supervisory Board of BHB Brauholding Bayern-Mitte AG, Ingolstadt
- Member of the Supervisory Board of Prebag Gewerbebau AG, Aschheim-Dornach

The following were members of the Supervisory Board in fiscal year 2011:

- Franz-Xaver Schmidbauer, engineering graduate (Chairman)
- Rolf Klug, businessman (Deputy Chairman until July 7, 2011)
- Jürgen Wittmann, member of the Sparkasse Managing Board (Deputy Chairman since July 7, 2011)

## 45. Declaration of conformity with the German Corporate Governance Code

The statement relating to the German Corporate Governance Code, which is required pursuant to Section 161 of the German Stock Corporation Act (AktG) was issued for BBI Bürgerliches Brauhaus Immobilien Aktiengesellschaft by its Managing and Supervisory Boards on March 12, 2012, and previously on March 14, 2011, and was made accessible to shareholders on the website (www.bbi-immobilien-ag.de).

The Managing and Supervisory Boards of BBI Bürgerliches Brauhaus Immobilien AG issued a corporate governance declaration within the meaning of Section 289a of the HGB and published this in the management report of BBI Bürgerliches Brauhaus Immobilien AG.

## 46. Total remuneration of the Managing Board

Total remuneration of € 676 thousand (previous year: € 635 thousand) was paid to the members of the Managing Board of the parent company VIB Vermögen AG in 2011 (of which performance related: € 300 thousand; previous year: € 280 thousand).

## 47. Supervisory Board remuneration

The remuneration for members of the Supervisory Board totalled € 93 thousand during the fiscal year (previous year: € 75 thousand).

## 48. Auditor's fees

The expenses reported in the 2011 fiscal year for the auditor of the parent company relating to audit services for the financial statements amounts to € 110 thousand for 2011, and € 97 thousand for 2010. € 0 thousand was reported for other consulting services (previous year: € 14 thousand).

## 49. Events after the reporting date

In December 2011, VIB Vermögen AG at Group level acquired two further logistics properties, an office and service property, and two further specialist retail centres. The full purchase price of € 30.2 million was paid to the sellers by early February 2012, thereby transferring the properties' ownership, benefits and encumbrances to the individual companies of the VIB Group. The first rental payments have already occurred for the month of January 2012.

There were no further events after the balance sheet date which have a material impact on the net assets, financial position or results of operations after the end of fiscal year 2011.

## 50. Related parties

VIB Vermögen AG prepares these consolidated financial statements as the uppermost controlling company. These consolidated financial statements are not included in any higher-level consolidated financial statements.

According to IAS 24, related parties are persons or companies which can be influenced by the reporting enterprise, or which can influence the enterprise.

There were receivables due from VIMA Grundverkehr GmbH totalling € 583 thousand on December 31, 2011 (previous year: € 420 thousand).

Liabilities of € 0 thousand were due to BHB Brauholding Bayern-Mitte AG as of December 31, 2011 (previous year: € 600 thousand).

Liabilities of € 2,075 thousand were due to Herrnbräu GmbH & Co. KG as of December 31, 2011 (previous year: € 2,175 thousand).

In addition, the company has concluded several loans with Eurohypo AG as part of its business activities. The member of BBI Immobilien AG's Supervisory Board Rupert Hackl is a branch manager with Eurohypo AG in Munich. BBI Immobilien AG concluded a non-current loan for € 48 million to finance the acquisition of 15 garden centres with Eurohypo AG, Stuttgart branch, which still has a value of € 43 million, as well as a current loan for € 18 million, which still carries the value of € 16 million. It concluded further loans to finance the Bavaria portfolio. Of these loans, € 19 million has currently been drawn down.

TOP Wachdienst + Service-GmbH (Managing Director is the member of the Supervisory Board Rolf Klug) provided janitorial and winter services with a value of € 67 thousand (previous year: € 110 thousand). The balance sheet includes liabilities of € 2 thousand (previous year: € 21 thousand) for trade accounts payable. Mr. Klug, the Managing Director of the company TOP Wachdienst + Service-GmbH, left the company with effect as of November 23, 2011.

In addition, the company concluded several loans with the Sparkasse Ingolstadt as part of its business activities. The Member of the Supervisory Board Jürgen Wittmann is a member of the Managing Board of the Stadtsparkasse Ingolstadt. The company's total exposure amounts to € 14.3 million and the conditions are in line with the market (previous year: € 20.9 million).

Transactions between related parties are exclusively conducted at standard market conditions (arm's length transactions).

## 51. Employees

In fiscal year 2011 there were an average of 31 employees (of which: BBI Immobilien AG: 1 employees) (previous year: 30 employees, of which BBI Immobilien AG: 2 employees).

## 52. Authorisation of the consolidated financial statements for issue within the meaning of IAS 10.17

On March 27, 2012, the Managing Board authorized these consolidated financial statements for publication. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Neuburg/Danube, March 27, 2012

Ludwig Schlosser
(Chairman of the
Managing Board/CEO)

Peter Schropp
(Member of the
Managing Board)

## SHAREHOLDINGS

The following comprise the companies direct or indirect shareholdings:

| Name and headquarters of company | Interest | Equity in € thousand | Earnings in € thousand |
|---|---|---|---|
| Merkur GmbH, Neuburg/Danube | 100.00 % | 39 | 14 |
| WHD Immobilien GmbH, Neuburg/Danube | 100.00 % | 199 | -1 |
| RV Technik s.r.o., Plzen (Czech Republic) | 100.00 % | -151 | -6 |
| BBI Bürgerliches Brauhaus Immobilien AG, Ingolstadt* | 91.27 % | 50,233 | 5,274 |
| Gewerbepark Günzburg GmbH, Neuburg/Danube | 87.50 % | 1,026 | 208 |
| ISG Infrastrukturelle Gewerbeimmobilien GmbH, Ingolstadt | 75.00 % | 4,977 | -22 |
| VSI GmbH, Neuburg/Danube | 74.00 % | 992 | 195 |
| IVM Verwaltung GmbH, Neuburg/Danube | 60.00 % | 613 | 99 |
| VIMA Grundverkehr GmbH, Neuburg/Danube | 50.00 % | -558 | -301 |
| BHB Brauholding Bayern-Mitte AG, Ingolstadt** | 35.50 % | 7,775 | 297 |

* Profit/loss before profit-and-loss-transfer

** Indirect interest

# Auditors' opinion

We have audited the consolidated financial statements prepared by VIB Vermögen AG, Neuburg/Danube, comprising of the balance sheet, income statement, consolidated statement of comprehensive income, statement of changes in equity, cash flow statement and notes, together with the group management report for the fiscal year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the consolidated management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of commercial law pursuant to Section 315a (1) of the HGB (German Commercial Code) are the responsibility of the company's Managing Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and German generally accepted standards for the audit 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 audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. An audit also includes assessing the annual financial statements of the companies included in the consolidation, the definition of the scope of consolidation, the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit led to no objections.

In our opinion, based on the results of our audit, the consolidated financial statements comply with IFRS as these are to be applied in the EU and the supplementary provisions of the HGB as stipulated by Section 315a (1) of the HGB, and convey a true and fair view of the group's financial position and results of operations. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Augsburg, March 27, 2012

S&P GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Kanus | Thürauf |
| Auditor | Auditor |

# Financial Glossary

| | |
|---|---|
| Annuity loans | Annuity loans refer to a loan with constant payments (installments) for its entire term. The installments comprise both a redemption payment and interest. As a result, the remaining debt is repaid step by step each time an installment is paid, thus reducing the amount of interest paid in each installment. At the end of the term, the loan is repaid in full. An annuity loan has numerous advantages compared to other types of loans. The agreement of constant installments over the term of the loan means that this type of credit financing allows the future cash flows to be easily forecast. The changes in the remaining debt can be precisely determined and this decreases constantly over the term of the loan. In addition, annuity loans typically do not have long terms, which means that the monthly repayments can be kept constant. |
| Associated company | A company is an associated when it is subject to a significant influence by a group company which holds a participating interest in it. According to the Handelsgesetzbuch (HGB – German Commercial Code), this is always assumed when the group company holds an equity interest with voting rights of at least 20 % (Section 311 of the HGB). The significant influence is shown by representation in the Supervisory Board and participation in key company decisions. Associated companies are carried in the consolidated financial statements at equity within the meaning of Section 312 of the HGB. In so doing, the respective value of the participating interest is recognized in income and adjusted for proportionate earnings from participating interests, based on what are generally annually amortized costs. The annual earnings of the associated company are carried separately in the consolidated income statement. |
| Cash flow | KPI for analyzing equities or companies. The cash flow is mostly calculated by adding the net income, amortisation/depreciation, changes in non-current provisions and income taxes. It shows the cash provided within a specific accounting period. It is used in investment accounting, which aims to provide quantifiable data to be used in decision making when assessing pending investment projects. The cash flow is also a key indicator for balance sheet and financial analysis. There is no uniform definition. The DVFA/SG cash flow attempts to provide a uniform definition. |
| Cash flow hedge | Financing instrument to hedge the company against cash flow fluctuations as defined in IAS 39. |
| Cash earnings | The “cash earnings” (cash flow) are of key importance when assessing the funds that a company earns. Cash earnings show the financial surplus provided by ongoing business activities recognized in income, however without taking the change in net current assets into account. Put in simpler terms, it shows the excess revenues – the amount by which payments received are greater than expenses. |

| | |
|---|---|
| Covenants | Covenants are not standardised loan conditions. A distinction is made between affirmative covenants, which require a party to do or to refrain something, and financial covenants, which entitle creditor grantors an extraordinary right to cancel the loan in case of infringement or deterioration of certain KPIs. |
| Corporate Governance | Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation is directed, administered or controlled. For this purpose, corporate governance offers a legal and factual framework – concerning the relationships of the company to its stakeholders in particular. The goal of good corporate governance is to strengthen the competiveness of the company and thus to increase the long-term value of the company. |
| EBIT | EBIT is a corporate indicator and stands for earnings before interest and taxes. |
| EBIT margin | The EBIT margin shows the percentage of earnings from operations before interest, taxes and the financial result that a company was able to record per unit of revenue. This indicator thus provides information on a company's earnings power and profitability. The EBIT margin is suitable for use as a relative indicator in international, cross-industry comparisons of companies. |
| EBITDA | EBITDA stands for „earnings before interest, taxes, depreciation and amortisation." This figure is cash flow like, as the write-downs not reflected in liquidity are added to the operating income in a similar manner to calculations for the indirect cash flow. |
| EBT | Abbreviation for earnings before taxes (including extraordinary result). |
| Equity method | A valuation method for interests in companies for which a significant influence can be exercised in their business policy (associated companies). The proportionate net profits/losses for the company are included in the carrying amount of the interests. In the case of disbursements, the carrying amount is reduced by the proportionate amount. |
| Specialist store | Individual, large-sized, mostly state-of-the-art retail stores, which mostly carry a specialist range of non-food products with great depth and breadth. |
| Specialist store center | Collection of medium to large-sized specialist stores or stores similar to specialist stores from various sectors that are close to the customer. |
| Fair value | Market value at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. |
| Fair value hedges | A fair value hedge hedges the risk of a change in the fair value of an asset or liability included in the accounts, or a firm commitment not included in the accounts, or a specific proportion of such an asset or liability or such a fixed commitment, if this proportion can be allocated to a specific risk and could impact earnings for the period. |
| Funds from Operations (FFO) | In the real estate sector, Funds from Operations (FFO) are a key performance indicator to assess the operative business development. The ratio contains the earnings before depreciations, amortisations and taxes, as well as the sales revenues for properties and development projects. This figure shows, how much cash flow is generated in the operative business. |

| | |
|---|---|
| Finance leasing | Transfer of an asset from the lessor to the lessee for a basic lease period which cannot be terminated. |
| IAS | International Accounting Standards, see IFRS |
| IFRS | Abbreviation for International Financial Reporting Standards, formerly International Accounting Standards (IAS). These accountings standards have been compulsory for listed companies in the EU since January 2005. IFRS are developed by the IASB (International Accounting Standards Board), a private accounting body. |
| Loan to Value – LTV | LTV is defined as the ratio of the maximum mortgaging respectively loan amount to the identified value of the assets. For this reason, this figure is used to calculate the equity, which is required for the investment. |
| m:access | m:access is a market segment of the Munich Stock Exchange for medium-sized enterprises, which is conceived as a stock exchange regulated market across various segments. Access is obtained via IPO, Listing or segment change. Due to the target group, listing requirements and follow-up admission rules are specifically designed with the needs of small and medium-sized companies in mind. |
| NAV | Abbreviation for net asset value. This is the value of all of a company's tangible and intangible assets, less liabilities. This figure aims to reflect the company's fundamental value, however it does not provide any information on hidden reserves or the company's future prospects. |
| Portfolio transaction | Sale of several properties in a package. |
| Supermarket/self-service department store | Food store in a property which is similar to a department store. |
| Triple net rental agreement | In a triple net rental agreement, the tenant pays all of the operating costs (incl. insurance, land tax). |
| Working capital | Refers to current assets. |
| Interest rate swap | Exchange of fixed or variable interest commitments for two nominal capital amounts for a fixed period. |

# Imprint

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Company registration number: HRB 101699

Date: April 17, 2012

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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 management board of the VIB Vermögen AG and reflect its present beliefs and expectations with regard to future occurrences. Such forward-looking statements can be recognized 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 can influence are without any claim to completeness, e.g. the development of the real estate market, competitive influences including price changes or regulatory measures. 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 forwardlooking statement. The company undergoes no obligation to update any such forward-looking statements.

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