CREATING VALUES

Annual Report 2018

VIB Vermögen AG

KEY GROUP INDICATORS

IN EUR THOUSAND	2018	2017	Absolute change	Change in %
Income statement				
Revenue	86,789	83,550	3,239	3.9
Changes in value for investment properties	19,454	17,380	2,074	11.9
EBT (earnings before tax)	71,200	64,453	6,747	10.5
EBT excluding valuation effects and extraordinary items	51,746	47,073	4,673	9.9
Consolidated net income	59,895	53,938	5,957	11.0
Earnings per share (in EUR), undiluted/diluted	2.09	1.87	0.22	11.0
Balance sheet				
Total assets	1,234,908	1,153,741	81,167	7.0
Investment properties	1,182,548	1,096,724	85,824	7.8
Equity	527,593	483,355	44,238	9.2
Equity ratio (in %)	42.7	41.9		0.8 pt.
Net debt	610,098	570,452	39,646	6.9
LTV (loan-to-value ratio, in %)	51.0	51.4		–0.4 pt.
NAV (net asset value), undiluted/diluted	559,949	512,547	47,402	9.2
NAV per share (in EUR), undiluted/diluted	20.30	18.58	1.72	9.2
Other key financials				
FFO (funds from operations)	45,298	41,194	4,104	10.0
FFO per share (in EUR)	1.64	1.49	0.15	10.0
Share price (Xetra closing price, in EUR)	21.20	21.20	0	0
Number of shares (reporting date: 31/12)	27,579,779	27,579,779	0	0
Market capitalisation (reporting date: 31/12)	584,691	584,691	0	0
Dividend per share (in EUR)	0.65 [1]	0.60	0.05	8.3
ICR (interest coverage ratio, interest expense/net basic rents, in %)	21.1	24.4		–3.3 pt.
Average borrowing rate (in %)	2.33	2.55		–0.22 pt.
Real estate KPIs				
Annualised net basic rents	78,249	73,615	4,634	6.3
Vacancy rate (in %)	0.7	0.8		–0.1 pt.
Rentable space (in sqm)	1,123,271	1,060,896	62,375	5.9
Rental yield (in %)	7.02	7.09		–0.07 pt.
Average remaining term of rental agreements (in years)	5.41	5.15	0.26	5.0
EPRA performance indicators				
EPRA earnings	41,777	37,620	4,157	11.0
EPRA earnings per share (in EUR)	1.51	1.36	0.15	11.0
EPRA NAV	559,949	512,547	47,402	9.2
EPRA NAV per share (in EUR)	20.30	18.58	1.72	9.2
EPRA vacancy rate (in %)	0.7	0.8		–0.1 pt.
EPRA net initial yield (in %)	6.65	6.6		+0.05 pt.
EPRA cost ratio (in %)	11.9	12.1		–0.2 pt.

[1] Management proposal

VIB VERMÖGEN AG

IN THE BUSINESS OF HIGH-YIELD COMMERCIAL PROPERTIES

We have been specialising in the development and portfolio management of commercial properties for more than 25 years. We focus on properties from the logistics/light industry and retail sectors in the economically strong southern German region. Our portfolio now comprises 108 properties with a total rentable area of more than 1.1 million sqm – and a market value of some EUR 1.2 billion. As a result, we are one of the most successful players in the German market for logistics properties.

Thanks to our business model, we can respond flexibly to market changes. In light of the very high prices currently being witnessed, for example, we are extremely selective in terms of acquiring existing properties and focus on a combination of in-house developments and redensification projects within our existing portfolio. This approach has proven extremely successful and we will be proposing a dividend increase to the Annual General Meeting for the tenth time in a row.

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LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,
DEAR LADIES AND GENTLEMEN,

VIB Vermögen celebrated its 25th anniversary in the 2018 fiscal year. In 1993, the foundation was laid for one of the German property sector's success stories – and we have come on in leaps and bounds ever since. Our property portfolio now comprises 108 properties, with a total rentable area of more than 1.1 million sqm. As of the end of 2018, its market value stood at some EUR 1.2 billion. This figure is set to rise, as we will once again be adding to our stock of attractive commercial properties this year. As we do so, we will be focusing on in-house developments in our growth segment of logistics/light industry.

Dear shareholders, we have been listed on the stock exchange for more than ten years, during which time we have created sustainable corporate value for our shareholders and investors. At the same time, we have earned the trust of our tenants, business partners and shareholders. They believe in our business model, in our long-term approach and in the financial stability of VIB Vermögen. The trust placed in us by financing banks is also extremely important, as this guarantees us attractive financing conditions for our transactions and in-house developments. The strength of this trust is reflected in the company's excellent access to highly favourable financing conditions, which once again led to an improved financial result in the year under review. In turn, low financing costs are also good news for our shareholders, customers and employees. But let us start by taking a look back at 2018, our anniversary year, which gave us plenty to celebrate on account of the results achieved.

VIB Vermögen once again posted record results in the 2018 fiscal year. Our revenues rose by 3.9% to EUR 86.8 million. Particularly large contributions were made by the properties in Nuremberg, Schwarzenbruck, Ingolstadt and Vaihingen (near Stuttgart), which we completed and let during the reporting period and which are now generating additional rental incomes.

We recorded an even stronger increase in our adjusted earnings before tax (EBT), which climbed by 9.9% to EUR 51.7 million. As per the balance sheet, our net asset value reached a new high of EUR 560.0 million as of the end of 2018 (31/12/2017: EUR 512.5 million). With an occupancy rate of 99.3% or rather a vacancy rate of 0.7%, we once again set a new standard.

Our market environment remains challenging in some respects. Property prices continue to rise, whereas the space for new developments is becoming more and more scarce. Being able to handle the entire property procurement spectrum – acquisition, development and redensification – therefore puts us at an advantage.

In 2018, we focused on in-house developments. We completed three properties, which we were able to hand over to our tenants on time and on budget. Long-term rental agreements are in place for the properties, all three of which are fully let. We also managed to chalk up significant achievements in terms of rental agreement management. With our two largest tenants – Dehner and the Rudolph Group – we concluded rental agreement renewals to 2032 and 2029 respectively.

"OVER THE PAST 25 YEARS, WE HAVE SUCCESSFULLY EARNED THE TRUST OF OUR BUSINESS PARTNERS AND CONTINUOUSLY INCREASED THE VALUE OF VIB VERMÖGEN."

MARTIN PFANDZELTER, CEO

“IT IS A SOURCE OF GREAT PRIDE THAT WE ARE ABLE TO PROPOSE A DIVIDEND INCREASE TO THE ANNUAL GENERAL MEETING FOR THE TENTH TIME IN A ROW.”

HOLGER PILGENRÖTHER, CFO

This underscores the attractive nature of our sites and pays testament to our stable partnerships with our tenants. In conjunction with Dehner, we are currently working on a further project, which will be completed at the start of next year. Back in autumn, work got under way on our largest-ever in-house development. At our Interpark site, we are building a logistics facility comprising two construction stages. The first stage of the project will be completed and handed over to the tenant at the end of this year. We expect that the second construction phase will be completed at the end of 2020. We were able to let this in-house development in full and on a long-term basis prior to completion.

We also want our shareholders to benefit from the strong performance of VIB Vermögen. We are able to propose a dividend increase to the Annual General Meeting for the tenth time in a row. This year, it is set to increase by EUR 0.05 to EUR 0.65 per share. The reason for this is the rise of 8.3% in our FFO. Funds from operations are an indicator of cash inflow and the profitability of a property company. They rose sharply on the 2017 fiscal year, climbing from EUR 1.49 per share to EUR 1.64 per share. With this in mind, we would like to say how delighted we are to receive an award from EPRA. The European Public Real Estate Association has praised and commended the transparency of our 2017 Annual Report.

We anticipate a further increase in revenue and profitability at VIB Vermögen in the current fiscal year. This will be driven by further in-house developments, which will result in significant rises in rentable space and rental income. For 2019, we therefore forecast a further rise in revenue to between EUR 88.5 million and EUR 92.5 million. EBT, without valuation effects and extraordinary items, should reach between EUR 52.0 million and EUR 54.5 million We also expect a rise in FFO to between EUR 45.5 million and EUR 48.0 million.

We also feel that we are in a strong position for the years ahead. Alongside our pipeline of undeveloped sites, we can also draw on further potential in terms of redensifying our existing properties. We also have access to funds for the acquisition of existing properties – and will use these funds accordingly if such properties meet our investment criteria.

The corporate history of VIB Vermögen is a 25-year success story, which would not have been possible without the dedication of our employees. We would like to say a special thank you to them. And we would like to thank you, our shareholders, for the trust you have shown in us over the past year. We would be delighted if you were to continue to accompany us as we chart our future course.

Yours faithfully,

Neuburg/Danube, April 29, 2019

Martin Pfandzelter	Holger Pilgenröther
(Chief Executive Officer)	**(Chief Financial Officer)**

25 YEARS OF SUCCESS FOR VIB

Ever since we were founded back in 1993, our focus has been on logistics/light industry, retail parks and garden centres – and on a business model geared towards long-term success. And this is how we add value for our shareholders, tenants, business partners and employees. During this period, our portfolio has grown to include more than 100 properties, with total rentable space of 1.1 million square metres. Furthermore, it is complemented by a sustainable and healthy financing structure.

1993

VIB Vermögen established, the first in-house development initiated

2005

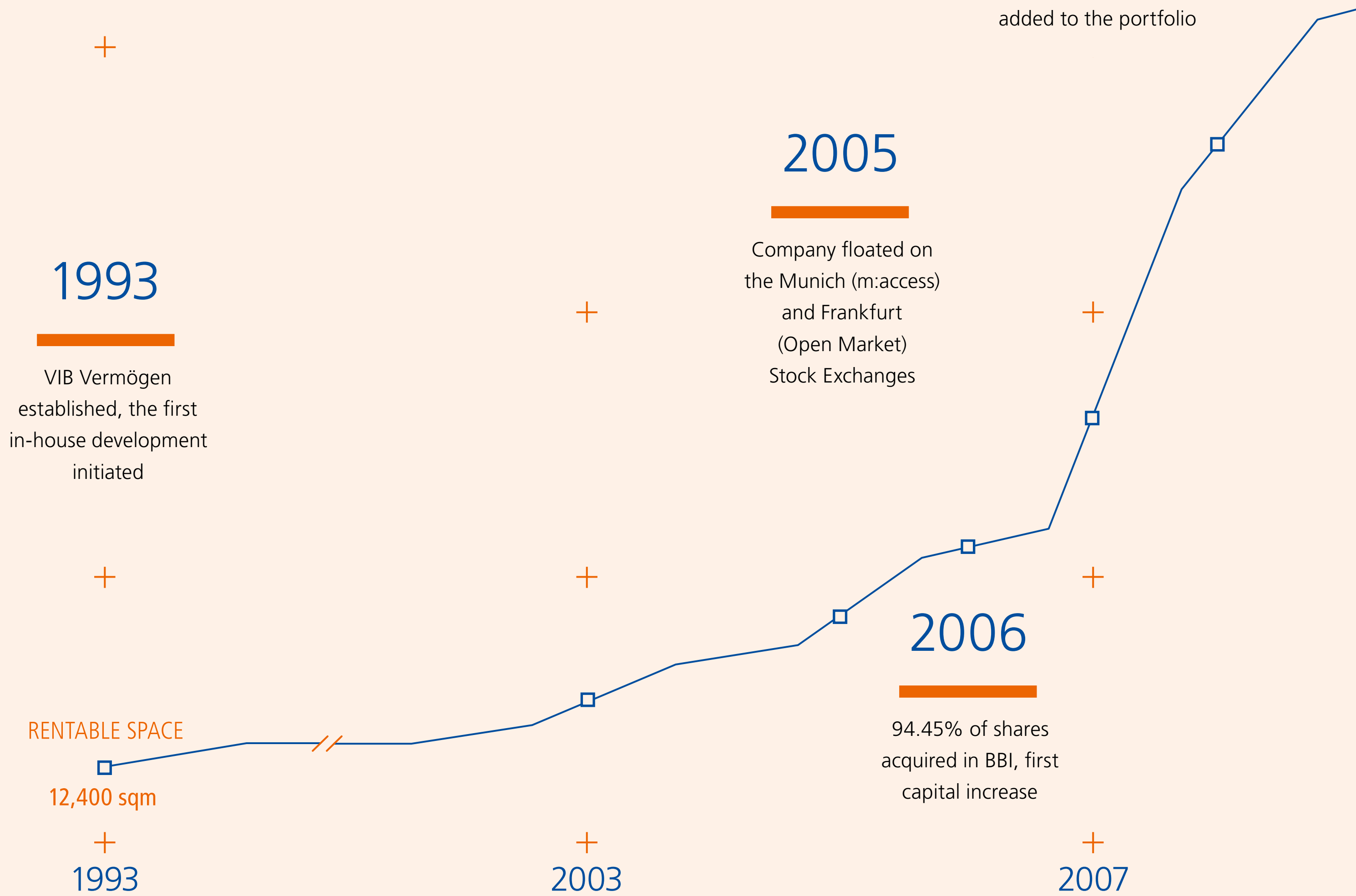
Company floated on the Munich (m:access) and Frankfurt (Open Market) Stock Exchanges

2006

94.45% of shares acquired in BBI, first capital increase

2007

Properties with a total value of more than EUR 120 million added to the portfolio



2008

In-house development with a rentable area of more than 38,000 sqm completed in Haiming

2012

Property spanning more than 85,000 sqm acquired on Beuthener Strasse in Nuremberg, further potential for redensification.

In-house development measuring more than 21,000 sqm completed on Ringlerstrasse, Ingolstadt

2013

Two properties with a total rentable area of almost 63,000 sqm aquired in Erlangen

2015

Largest-ever development, a property measuring approx. 54,700 sqm at Interpark industrial estate near Ingolstadt, taking the total rentable space to above the 1 million sqm mark

2018

A dividend increase will be proposed to the Annual General Meeting for the ninth time in a row

1,060,000 sqm

2011

2015

2018

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

In the fiscal year under review, VIB Vermögen AG continued to grow, achieving a further year-on-year increase in earnings. Thanks to attractive development projects, which were added to the portfolio upon completion, the portfolio increased to 108 properties. On the basis of professional portfolio management, which encompasses new additions in the form of development projects as well as the redensification of existing sites and direct acquisitions, increases were recorded in all real estate KPIs. Therefore, the dividend also rose in 2018 – for the ninth time in a row. The Supervisory Board is delighted with this positive performance in all areas and continues to give the Managing Board its unqualified support in terms of further pursuing the chosen growth strategy.

SUPERVISION OF MANAGEMENT AND COOPERATION WITH THE MANAGING BOARD

In the 2018 fiscal year, the Supervisory Board examined the position of the company in great detail on an ongoing basis, thereby fulfilling the advisory and controlling functions incumbent upon it according to both the law and the company's articles of incorporation during the year under review.

Throughout the entire fiscal year, the Supervisory Board supervised and advised the Managing Board in respect of the management of the company. The Managing Board informed the Supervisory Board regularly, promptly and in detail about all topics concerning the company's business activities. The Supervisory Board was involved in all key decisions, with the relevant resolutions passed in a timely fashion. The Managing Board's activities gave rise to no objections. This applies particularly in respect of the company's earnings, assets and financial position, as well as new investment opportunities.

SUPERVISORY BOARD MEETINGS

A total of six Supervisory Board meetings were held in 2018, all of which were attended by all Supervisory Board members.

› The first meeting, which was held on **March 20, 2018**, focused on the presentation of the financial, balance sheet-related and fiscal aspects of the separate financial statements of the Group companies, as well as the interim consolidated results, the risk and control report for the period up to December 31, 2017, and corporate strategy and planning. The guidance for the 2018 fiscal year, which was published on the following day together with the preliminary results, was also determined at the meeting. Another issue was the agenda of the Annual General Meeting, especially the choice of auditor. The Supervisory Board had held a call for tenders ahead of the meeting and, following careful consideration of the documents submitted by the participating audit firms, decided to propose Ernst & Young Wirtschaftsprüfungsgesellschaft, Munich, to the Annual General Meeting. The agenda item "property" saw the Supervisory Board receive detailed and comprehensive information on the performance of investment properties in 2017 and the status of ongoing development projects.

- At the balance sheet meeting on **April 24, 2018**, the separate financial statements (HGB) were adopted and the consolidated financial statements (IFRS) were approved. The report on non-audit services provided by the previous auditor was also considered at this meeting. Furthermore, the Supervisory Board also approved the Managing Board's proposal to propose a dividend of EUR 0.60 per share to the Annual General Meeting. Resolutions on the variable Managing Board remuneration and the Supervisory Board remuneration for the previous year were also passed at this meeting. As part of a further agenda item, the course of business was discussed on the basis of the interim figures as of March 31, 2018. Under the "property" agenda item, the Supervisory Board were given an update on the status of current development projects.
- The third Supervisory Board meeting, held on **June 26, 2018**, focused on the Annual General Meeting. The Managing Board provided the Supervisory Board with detailed information on the current situation, such as details of the registration list and the presence of proxies. Under the "property" agenda item, the Supervisory Board was given the usual updates on ongoing projects and was also informed of the successful letting of part of the development project in Schwarzenbruck and briefed on the redensification project in Regensburg.
- The fourth Supervisory Board meeting was held on **August 7, 2018**. The main issues discussed at this meeting were the course of business in the first half of 2018, as well as the risk management and control report for the period up to June 30, 2018. Under the "property" agenda item, the Supervisory Board was, in particular, informed of the upcoming completion of development projects in Vaihingen/Enz and at Interpark.
- The fifth meeting, held on **October 23, 2018**, concentrated on the course of business up to September 30, 2018, on the basis of interim figures. The "property" agenda item saw the Supervisory Board given a summary of the planning status of reserved plots and individual transactions. Furthermore, the Supervisory Board discussed Managing Board matters in preparation for the meeting in December.
- At the sixth meeting, held on **December 18, 2018**, the Supervisory Board assessed the course of business in the 2018 fiscal year on the basis of interim figures. Under the "property" agenda item, the Supervisory Board discussed the development project at Interpark Kösching and the current status of negotiations with potential tenants. It also examined the appropriateness of Managing Board remuneration and, in this regard, considered an analysis of Managing Board remuneration at a set of peer group companies. At this meeting, the Supervisory Board also decided to renew the Managing Board employment contract of Mr Pfandzelter by a further five years until September 30, 2024. He will continue to serve as Chief Executive Officer for this period.

“THE SUPERVISORY BOARD IS DELIGHTED WITH THIS POSITIVE PERFORMANCE IN ALL AREAS AND CONTINUES TO GIVE THE MANAGING BOARD ITS UNQUALIFIED SUPPORT IN TERMS OF FURTHER PURSUING THE CHOSEN GROWTH STRATEGY.”

FRANZ-XAVER SCHMIDBAUER,
CHAIRMAN OF THE SUPERVISORY BOARD

f. l. t. r.: **JÜRGEN WITTMANN, FRANZ-XAVER SCHMIDBAUER, ROLF KLUG**

COMMITTEES

As before, no committees were formed due to the small size (for efficiency reasons) of the Supervisory Board in 2018.

2018 SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Supervisory Board reviewed the annual financial statements as of December 31, 2018, which the Managing Board prepared according to German commercial law regulations, and discussed them, together with the corresponding audit report prepared by Ernst & Young Wirtschaftsprüfungsgesellschaft, Munich – represented by auditor Mr Patrick Horbach – at its meeting on April 29, 2019. The review of the 2018 annual financial statements led to no modifications, and an unqualified audit opinion was issued. The annual financial statements as of December 31, 2018, were approved without objections and are thereby adopted. The Supervisory Board concurs with the Managing Board's proposal concerning the application of retained earnings.

The Supervisory Board also reviewed the 2018 consolidated annual financial statements, which the Managing Board prepared according to International Financial Reporting Standards (IFRS), and discussed them, together with the corresponding audit report prepared by Ernst & Young Wirtschaftsprüfungsgesellschaft, Munich – represented by auditor Mr Horbach – at its meeting on April 29, 2019. The audit of the 2018 consolidated financial statements also resulted in no amendments, with an unqualified audit opinion being issued and the consolidated financial statements as of December 31, 2018, being approved by the Supervisory Board. At its meeting on April 29, 2019, the Supervisory Board also approved the agenda for the Annual General Meeting on July 4, 2019.

The Supervisory Board wishes to thank the Managing Board, as well as all Group employees, for their contribution to the successful development of the VIB Group.

Neuburg/Danube, April 29, 2019

On behalf of the Supervisory Board

Franz-Xaver Schmidbauer (Chairman)

OUR BUSINESS MODEL

A FLEXIBLE BUSINESS MODEL AS THE CORNER-STONE OF OUR SUCCESS

The market for commercial properties continues to perform strongly, despite the fact that the growth of the German economy is slowing down. Therefore, significant opportunities are still open to market players who can respond quickly to changing underlying conditions. VIB Vermögen AG is confident of its ability to do so – and has structured itself with the flexibility required.

This flexibility plays a vital role for us in three areas:

PORTFOLIO DEVELOPMENT:

01 › How can we generate profitable growth for our property portfolio?

SECTOR FOCUS:

02 › In which sector do we see the greatest opportunities for growth?

FINANCING:

03 › Which property financing mix offers optimum yields and long-term security?

We have the flexibility to decide whether it makes more sense, depending on the market situation, to purchase properties for the VIB portfolio or develop them ourselves. Whenever property prices rise appreciably, as they have done in recent years, we concentrate increasingly on a strategy of designing and building new properties ourselves. Here, we can draw on our extensive internal expertise, as well as a wide-ranging external network. In terms of in-house developments, we are able to secure sites with high development potential at an early stage and utilise existing land within our portfolio for redensification. We also have the option of improving existing properties in a way that increases their value, which is also good news for the environment, as no additional land is used. Redensification projects also appeal to us as a developer, as there is no need to purchase a new site.

We also seize attractive purchase opportunities, whether we spot them on the open market or whether they are presented to us by our network partners. From our perspective, other key criteria are infrastructure links and the property's alternative usability, with the tenant's credit rating and the remaining term of the current rental agreement also factored into our assessment. Irrespective of the strategies described above, we attach great importance to ensuring that a development project or property acquisition complies with our clearly defined returns criteria.

For us, another crucial aspect is the sector classification of our properties. We concentrate primarily on the sectors of logistics/light industry and retail, with a focus on garden centres and retail parks. We possess considerable experience in both sectors, as well as an excellent sense of tenant needs and the latest market trends.

Financing is pivotal to any real estate project. Thanks to our extensive access to the capital market, we can harness both equity and debt financing, thus striking the right balance between the two. On the debt financing side, we primarily rely on annuity loans and a healthy share of promissory note loans, enabling us to respond flexibly to market conditions. This is the ideal mix for the long-term financing of property projects and offers the benefit that favourable interest rate terms are fixed for an extended period. On the equity side, we utilise the entire spectrum of available capital measures, depending on the market situation.

We will continue to review all three core components of our business model, flexibly modifying them to reflect changes in the market. After all, we follow a single objective together with our shareholders – to sustainably increase the value of VIB Vermögen AG as a company in the long term.

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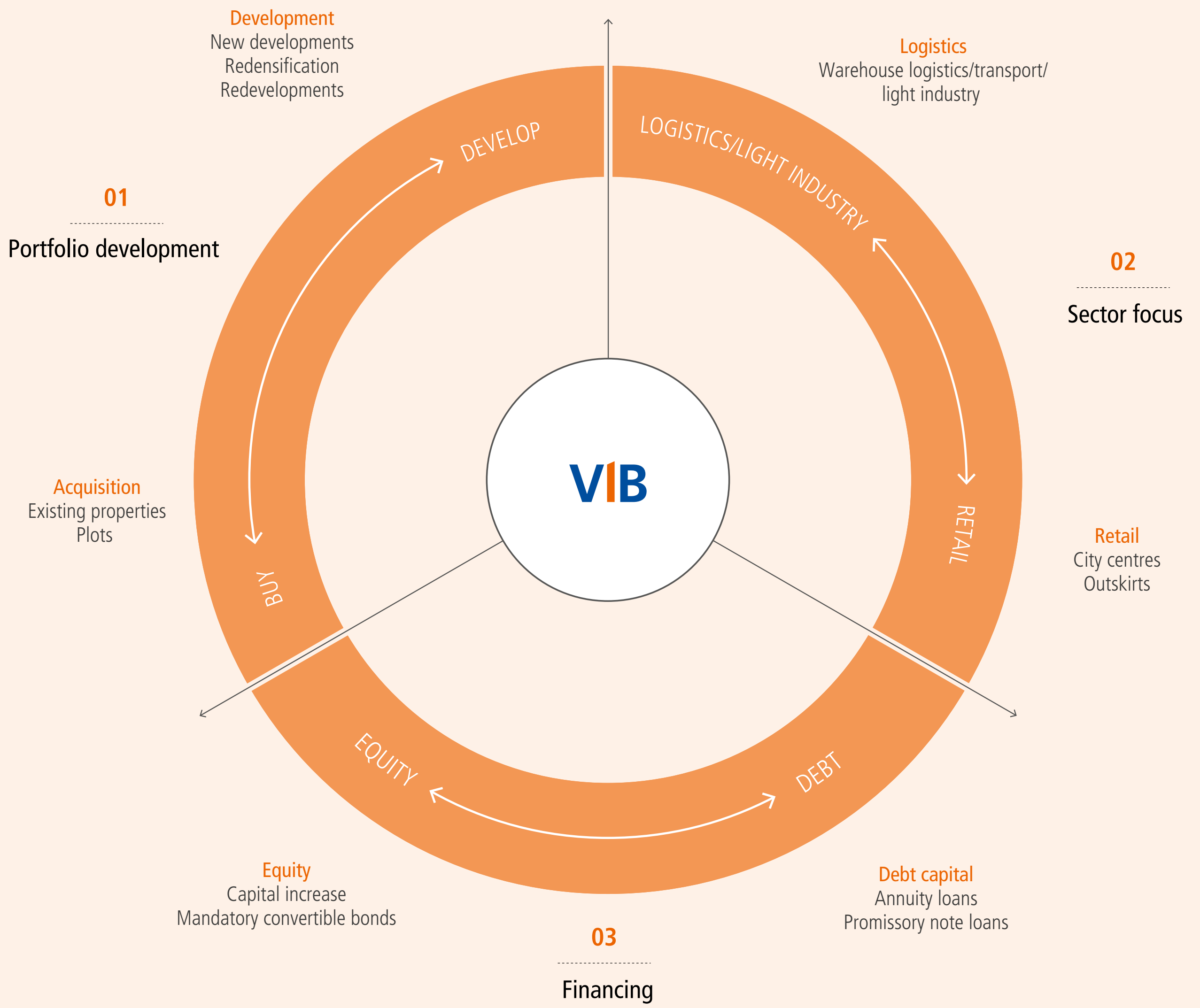
THE THREE STRATEGIC CORE COMPONENTS OF OUR BUSINESS MODEL



THE PROPERTY PORTFOLIO IN 2018

During the 2018 fiscal year, we expanded our portfolio by adding new properties and optimised it by means of further investment and rental contract renewals. The new properties originate from development projects on new sites and from the redensification of existing, developed sites.

POTENTIAL FOR FURTHER GROWTH OFFERED BY THE SITE PIPELINE

At the start of the 2018 fiscal year, we expanded our site pipeline to a total of 200,000 sqm of rentable space, thus generating the potential for further profitable growth in the years ahead.

2018: A YEAR OF REDENSIFICATION, NEW DEVELOPMENTS AND RENTAL AGREEMENT OPTIMISATION

At the start of the year, we created some 7,600 sqm of industrial space, as well as 900 sqm of office space, by means of redensification work (which we started in 2017) at the site of our property on Beuthener Strasse in Nuremberg. The first new section was handed over on January 2, 2018, with the remaining new space handed over on July 1, 2018. A rental term of ten years has been agreed with the two new tenants from the paper and food industries. The project had an investment volume of EUR 6.5 million.

In terms of redensification, we reported in June 2018 that we would be adding two new office buildings to the business park in Regensburg. We are therefore creating some 3,500 sqm of rentable space, in respect of which we concluded long-term rental agreements prior to completion. This demonstrates the attractive nature of the site. Total investment for the project amounts to EUR 6.5 million, with completion scheduled for the second half of 2019.

In June, we also reported on a development project relating to a logistics facility in Schwarzenbruck with a total useful area of approx. 31,000 sqm. Approx. 10,000 sqm of this large logistics facility were let to a tenant from the logistics sector prior to completion. Upon completion, which was on time and on budget, we were also able to announce that the property had been fully let. A long-term rental agreement is in place with a second tenant, a regional logistics firm. In total, we invested some EUR 20.5 million in this project.

The main event in September was the completion and handover of two development projects: one at Interpark (near Ingolstadt) and one in Vaihingen (near Stuttgart), both of which were fully let prior to completion. The property at Interpark, Kopernikusstrasse 2, is a logistics facility with a rentable area of around 13,700 sqm. The factory floor space is shared by two tenants, a medium-sized manufacturer and a South Korean conglomerate. The investment volume stood at approximately EUR 9.8 million.

We let the logistics facility in Vaihingen an der Enz to the same medium-sized manufacturer that is renting part of Kopernikusstrasse 2. The 11,800 sqm were completed with an investment volume of about EUR 10.9 million. Long-term rental agreements are in place for both properties.

Overall, we invested in projects with a total volume of EUR 41.3 million in the year under review, with these projects generating a combined net initial yield of 8.2%.

RENTAL AGREEMENT RENEWALS SOLIDIFY THE PORTFOLIO

In September, we also managed to achieve early renewal of the rental agreement for our property in Uffenheim, in greater Würzburg. The property boasts a rentable area of 30,200 sqm and was acquired by us in October 2016. A rental term until the end of 2024 has been agreed with the tenant, an internationally renowned sporting goods manufacturer.

We have achieved further success in terms of sustainability at three of our Interpark properties. We have agreed early renewals with our second-largest tenant – the Rudolph Logistics Group – in respect of the properties let to them at Interpark. These renewal agreements relate to some 41,000 sqm of space and have been signed for the period up to December 31, 2029. Therefore, the tenant has signalled their clear commitment to both the Interpark site and to VIB Vermögen.

SUSTAINED GROWTH FOR VIB AT INTERPARK

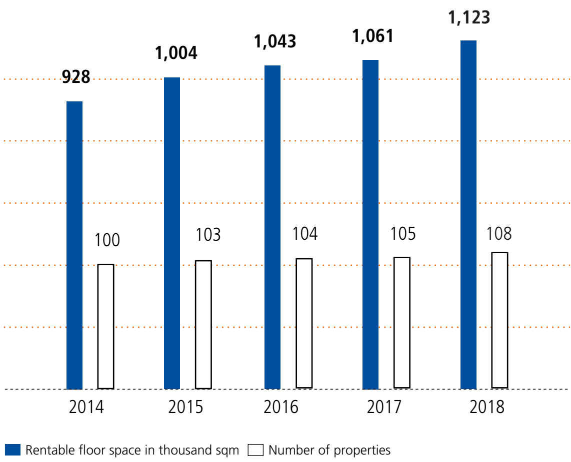
Our success story as the largest developer and landlord at Interpark, near Ingolstadt, is entering a new chapter. At the end of September, we reported on the green light being given for the first phase of construction for our development project on Zeppelinstrasse. On the site, which spans some 113,000 sqm, we are building a property measuring 27,500 sqm in the first phase of construction – and have already let this property on a long-term basis to a leading automotive manufacturer from the Ingolstadt region. Construction work on the property began at the end of the fiscal year under review. We expect this state-of-the-art facility, suitable for logistics and light industry, to be completed by the end of 2019. At the start of this year, we announced the signing of a further rental agreement for the second construction phase of the project. This is a long-term rental agreement relating to a rentable area of around 89,000 sqm. The tenant is another automotive manufacturer. This project sees VIB taking a fresh approach by building a two-storey logistics facility in order to harness the existing space more effectively. As such, it is putting sustainability at the heart of construction and underscoring its position as an innovative commercial property developer with a long-term focus.

PORTFOLIO KPIS AS OF DECEMBER 31, 2018

With the properties added in 2018, the portfolio comprised 108 properties as of December 31, 2018. This equates to a total rental area of 1.12 million sqm. Including properties under construction, the value of the portfolio amounted to EUR 1,183 million. This represents a year-on-year increase of EUR 86 million, or 7.8%.

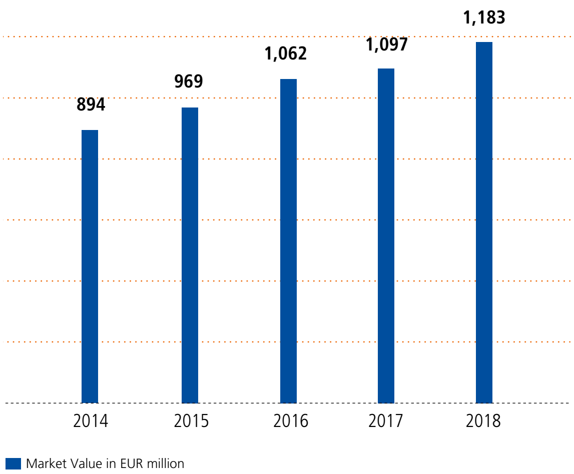
TREND IN RENTABLE AREA AND NUMBER OF PROPERTIES

AS OF YEAR-END



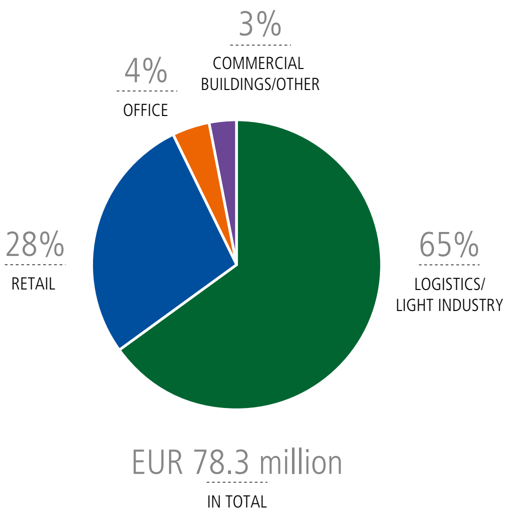
5-YEAR SUMMARY OF THE PORTFOLIO MARKET VALUE

AS OF YEAR-END



Compared to the previous year, we increased annualised net rental proceeds by EUR 4.7 million, from EUR 73.6 million to EUR 78.3 million, by means of portfolio expansion and rental indexing.

ANNUALISED NET RENTAL PROCEEDS BY SECTOR IN 2018



The sector breakdown within our portfolio reflects our focus on logistics/light industry and retail, which can be further broken down into garden centres and retail parks. The share of logistics/light industry properties stands at 65%, whereas our retail properties account for 28% of the portfolio (retail parks: 16%, garden centres: 12%). Our portfolio also includes 4% office space and 3% Commercial buildings/other.

ATTRACTIVE RENTAL YIELDS

In order to ensure a realistic and sustainable valuation of our properties, we have our portfolio valued at least once a year by an external appraiser using the generally accepted discounted cash flow method. This year, the valuation as of December 31, 2018, indicated average return on rent of 7.02% for our property portfolio. This figure stood at 7.09% in the previous year.

RENTAL YIELD BY SECTOR (BASED ON MARKET VALUES AS OF 31/12/2018)

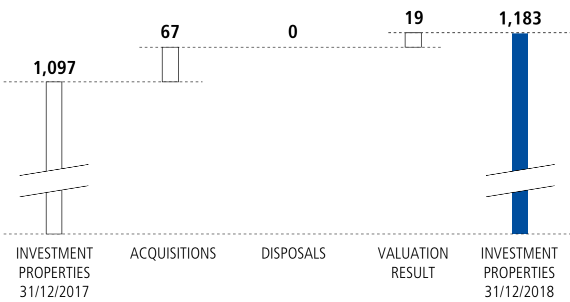
IN%	
Logistics/Light Industry	7.2
Retail	6.8
Office	7.3
Commercial buildings/other	5.4
Average rental yield	**7.02**

GROWTH ON THE BASIS OF A FLEXIBLE BUSINESS MODEL

By virtue of our business model, we are able to respond with speed and flexibility to changes on the property market. Alongside the in-house development of attractive properties, particularly for the logistics/light industry sector, we also review offers of completed properties on an ongoing basis, including in the retail sector. As we do so, we are guided by investment criteria that meet our profitability standards. Whether in terms of in-house developments or direct acquisitions, key investment criteria in this regard include the location of the property, the term of any existing rental contracts, the tenant's credit rating and the occupancy rate. We also review vacant properties in attractive locations that offer potential for modernisation and subsequent letting on favourable terms. Our business model is rounded off by redensification projects, which we carry out on existing, developed sites within our portfolio.

DEVELOPMENT OF PORTFOLIO MARKET VALUE DURING THE YEAR

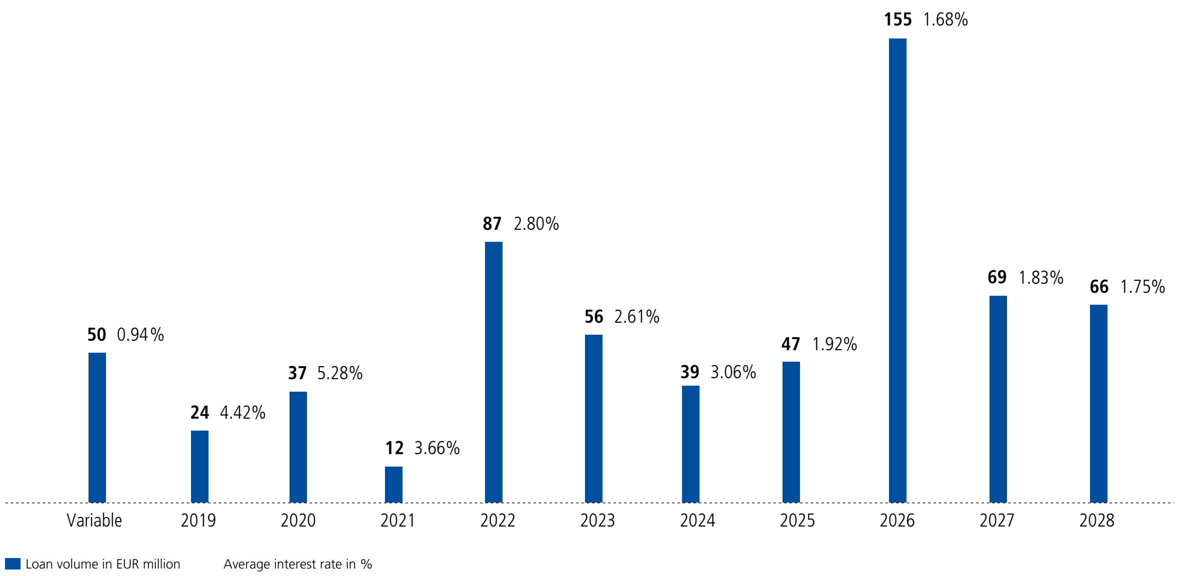
IN EUR MILLION



SOLID AND BALANCED FINANCING STRUCTURE

The financing of the property portfolio plays a crucial role when it comes to achieving profitable and sustainable commercial success with properties. In this regard, we draw on a balanced mix of debt and equity financing. On the debt financing side, we rely on traditional financing in the form of annuity loans and promissory note loans. We also utilise equity financing by issuing mandatory convertible bonds and issuing new shares by means of capital increases. When selecting the appropriate financing instrument, we pay very close attention to the macroeconomic situation and choose the financing method accordingly. This is always done in keeping with the premise of ensuring maximum value for our share-holders and investors.

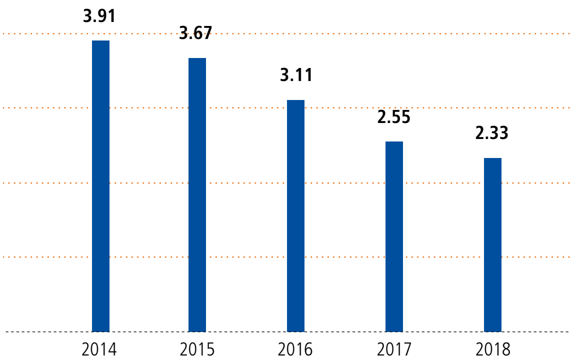
BREAKDOWN OF LOAN LIABILITIES BY END OF FIXED-INTEREST PERIOD AND AVERAGE INTEREST RATE



As of the end of the year, the average interest rate for the Group's total portfolio of borrowings stood at 2.33%, compared with 2.55% in the previous year.

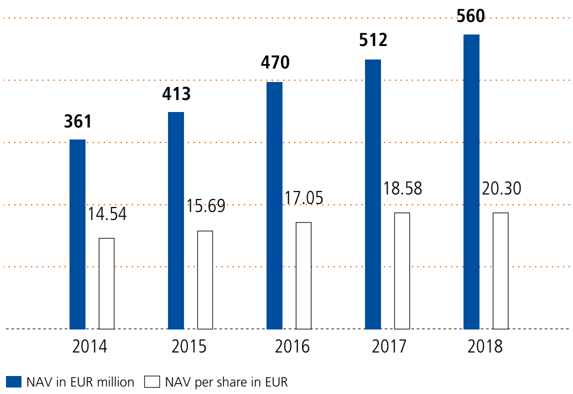
AVERAGE INTEREST RATE FOR THE LOAN PORTFOLIO

IN%



The LTV (loan-to-value) ratio and the NAV (net asset value) are two further key indicators of a company's stability. Whereas the loan-to-value ratio indicates the ratio of net debt to total assets, the net asset value is the value of a company's assets minus the value of its liabilities.

NAV (NET ASSET VALUE) AND NAV PER SHARE



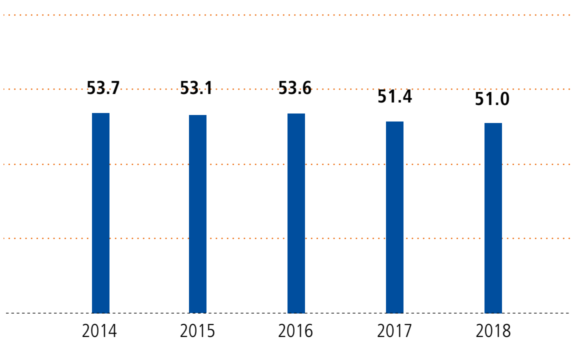
REDENSIFICATION IN NUREMBERG

Creation of some 7,600 sqm of industrial space and 900 sqm of office space. Investment volume of EUR 6.5 million. Ten-year rental agreements with both tenants.

As of December 31, 2018, the LTV ratio stood at 51.0%, compared with 51.4% as of December 31, 2017. With the inclusion of the operating profit generated and our regular loan repayments, NAV increased by 9.2%, from EUR 512.5 million to EUR 560 million, as of December 31, 2018.

LTV (LOAN TO VALUE)

IN%



SHARE AND INVESTOR RELATIONS

Even though 2018 was a challenging year for the markets, the VIB share did very well and considerably outperformed the major indices DAX and SDAX. Whereas the value of the DAX and SDAX declined by some 21%, the VIB share and EPRA Germany remained pretty much stable. The VIB share closed the 2018 fiscal year at EUR 21.20 (2017 closing price: EUR 21.20). The VIB share resumed its growth trajectory at the start of 2019, closing the first quarter with a considerably increase of 14% at EUR 24.20.

KEY DATA AND SHARE INDICATORS

KEY DATA

Sector	Real estate
Securities identification number (within Germany)	245751
ISIN	DE0002457512
Stock symbol	VIH
Initial listing	November 28, 2005
Stock exchanges	Munich: open market (m:access), Frankfurt: open market/XETRA
Share type	No-par-value bearer shares

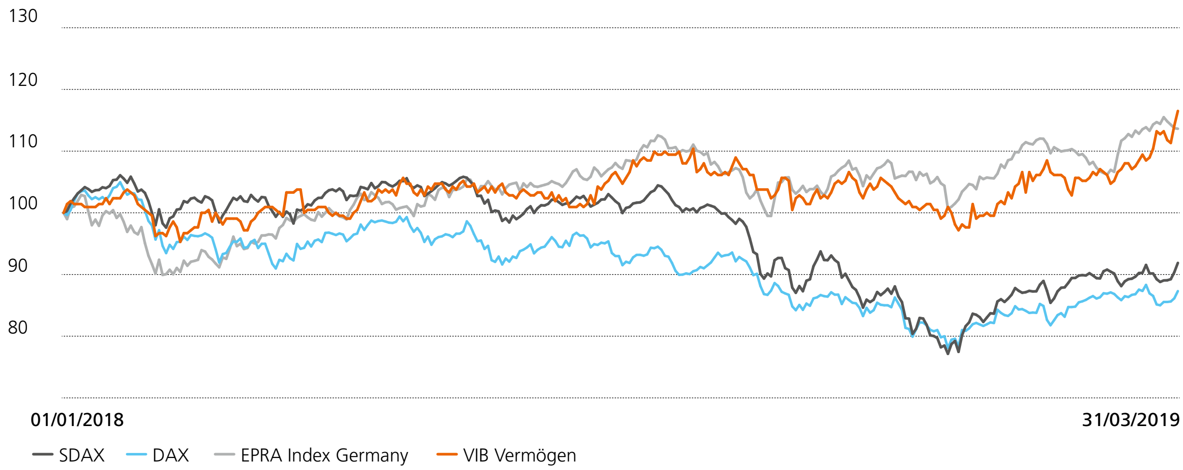
SHARE INDICATORS AS OF 31/12/2018

Subscribed share capital	EUR 27,579,779
Nominal value per share	EUR 1.00
Number of outstanding shares	27,579,779
Net asset value (NAV) per share (undiluted)	EUR 20.30
Balance sheet equity (consolidated)	EUR 527,593 thousand
Dividend per ordinary share for the 2018 financial year	EUR 0.65*
Closing price for the year (31/12/2017)	EUR 21.20
Closing price for the year (31/12/2018)	EUR 21.20
Annual high	EUR 23.40
Annual low	EUR 20.20
Average daily trading volume in 2018**	21,900 shares
Market capitalisation (31/12/2018)	EUR 585 million

* Management proposal
** XETRA and all stock exchanges

SHARE PRICE DEVELOPMENT

SINCE 01/01/2018 (INDEXED COMPARISON WITH EPRA AND THE DAX AND SDAX INDICES, IN %)



DEVELOPMENT OF THE FINANCIAL MARKETS

2018 was a turbulent year on the markets. Taking into account the forecasts of the International Monetary Fund (IMF), which believes that growth in the global economy will be less strong than previously assumed, developments in the current year are hard to predict. The property market continues to boom. There are currently no indications that there will be any significant change in terms of interest rates on investments. Looking back, property shares were stable – a fact that is underlined by a performance comparison of the DAX, SDAX and EPRA Germany indices as well as the VIB share. Whilst both the DAX and SDAX fell considerably, the VIB share and the EPRA Germany index remained stable.

STABLE SHARE PRICE DEVELOPMENT

The VIB share withstood the turbulence on the stock markets and held its price. In a five-year analysis, the share price increased by 125%, with this figure rising to 461% over a ten-year period.

VALUE DEVELOPMENT OVER TIME

	1 year	5 years	10 years
DAX (share price index)	–21%	17%	60%
SDAX (share price index)	–21%	62%	173%
EPRA Germany	1%	112%	228%
VIB Vermögen AG	0%	125%	461%

THE VIB SHARE IS SYNONYMOUS WITH SUSTAINABLE DIVIDEND GROWTH

In an era of low interest rates, shares represent an attractive investment, especially when they enable sustainable participation in a company's success. Just like the VIB share, which is a reliable payer of dividends. Since it was floated back in 2005, VIB Vermögen AG has paid a dividend every year, even during the financial and economic crisis. This year, the dividend is set to increase for the tenth time in a row.

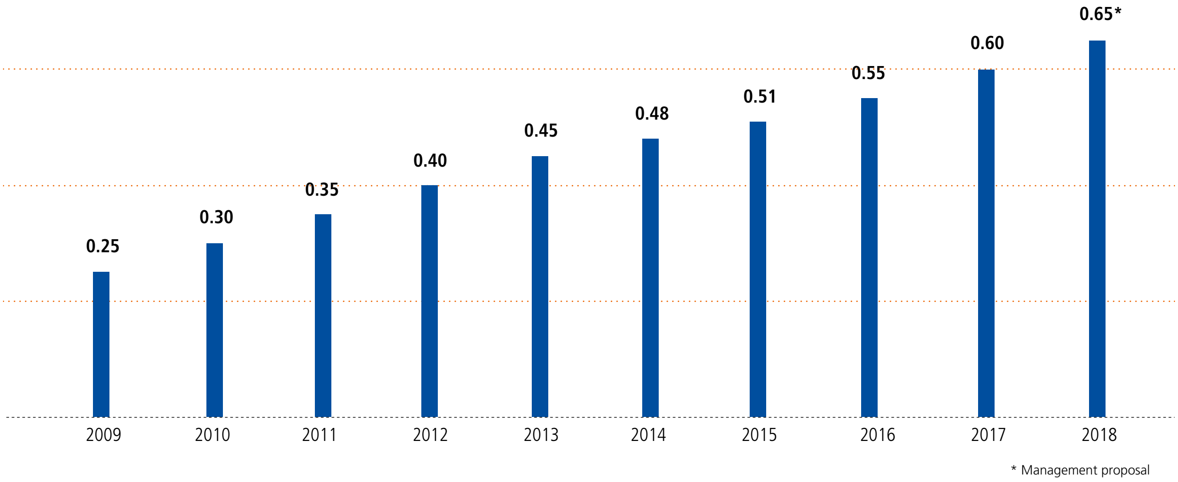
At the Annual General Meeting on July 4, 2019, the Managing and Supervisory Boards will be proposing that a dividend of EUR 0.65 per share be paid for the 2018 fiscal year. This corresponds to a year-on-year increase of EUR 0.05, or 8.3%, and a total distributable amount of EUR 17.9 million. Based on the closing price for the year of the VIB share, it also equates to a dividend yield of 3.1%.

The sustainable nature of our dividend policy is clearly reflected in a multi-year analysis. The dividend has increased by about 44% over a five-year period, with this figure rising to an impressive 225% over a ten-year period. Looking back, it can be said that an investment will have paid off in two ways: on account of the share price performance and by virtue of the continuous and attractive dividend distributions.

As in previous years, the VIB dividend payment is based on the operating performance of the company, with funds from operations (FFO) acting as the benchmark figure in this context. With a payout ratio of approx. 40% of generated FFO, we are once again within the long-term target range in respect of 2018.

DIVIDEND GROWTH PER SHARE

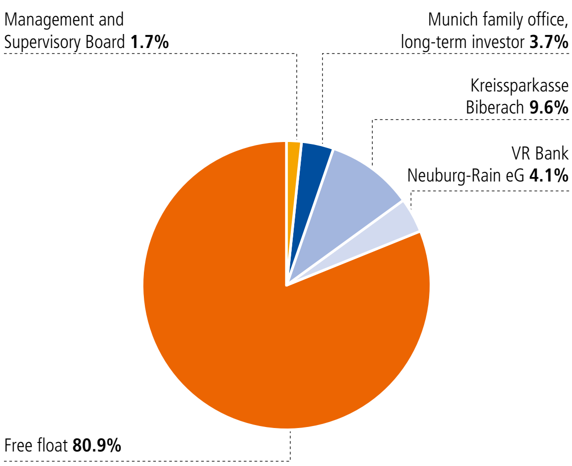
IN EUR



BALANCED SHAREHOLDER STRUCTURE

Our shareholder structure is distinguished by a stable ratio of free float to anchor investors. Our long-term anchor investors are founding investor Raiffeisen-Volksbank Neuburg/Donau eG (now called VR Bank Neuburg-Rain eG) with a 4.1% share of voting rights, Kreissparkasse Biberach with a 9.6% share of voting rights and a Munich-based family office with a 3.7% share of voting rights. 1.7% of shares are held by the management of VIB Vermögen AG. As of the end of the 2018 fiscal year, the free float of VIB Vermögen AG stood at 80.9%.

SHAREHOLDER STRUCTURE



As of: Annual General Meeting 2018

ANALYSTS CONTINUE TO RECOMMEND BUYING THE VIB VERMÖGEN SHARE

During the 2018 fiscal year, our share was regularly evaluated by eight national and international banks and research houses. Virtually all the analysts saw positive growth potential for VIB Vermögen in 2018 and recommended the VIB share as "buy". We publish updated analyst opinions on our website soon after they are issued.

ANALYST RECOMMENDATIONS AT A GLANCE

	Date	Recommen-dation	Share price target (EUR)
Baader Bank AG (André Remke)	27/03/2019	Buy	25.00
Bankhaus Lampe (Dr Georg Kanders)	16/04/2019	Hold	25.00
Berenberg (Kai Klose)	27/03/2019	Buy	24.75
Degroof Petercam (Herman van der Loos)	27/03/2019	Buy	26.50
Mirabaud (Emmanuel Valavanis)	08/08/2018	Buy	26.00
SRC Research (Stefan Scharff)	27/03/2019	Buy	26.00
Victoria Partners (Bernd Janssen)	25/01/2019	Buy	22.00 – 24.00
Warburg Research (Andreas Pläsier)	12/04/2019	Buy	28.00

HIGH APPROVAL RATE AT THE ANNUAL GENERAL MEETING

The Annual General Meeting for the year 2018 was held in Ingolstadt on June 28, 2018. All items on the agenda were accepted with almost 100% shareholder approval, and formal approval was granted for the actions of the Managing and Supervisory Boards in 2018. The Supervisory Board's proposal to appoint Ernst & Young Wirtschaftsprüfungsgesellschaft, Munich, as the auditor was also accepted by almost 100% of those present. A total of 57.4% of the voting-entitled share capital was represented. The 2019 Annual General Meeting will be held in Ingolstadt on July 4, 2019.

DIALOGUE WITH THE CAPITAL MARKET

Our aim is to communicate with as many shareholders, investors and parties interested in our company as possible. We therefore go well beyond the requirements of a listing in the Open Market of the Frankfurt Stock Exchange and the m:access quality segment of the Munich Stock Exchange. We attach importance to continuity, comprehensibility and transparency in terms of our communication and report relevant, up-to-date information whilst ensuring the equal treatment of parties interested in such information. We also communicate with international investors by making all publications of relevance to the capital market available in both German and English.

In order to achieve our aim of providing the capital market with comprehensive information, we engage in active and personal dialogue with analysts, institutional and private investors and the financial, business and industry press. We attended many capital market conferences in the year under review and used these platforms to explain our strategy, corporate development and current business results to a broad public. In the year under review, the Managing Board of VIB Vermögen AG held presentations at the Baader Investment Conference in Munich, the Berenberg Conference in Munich, the m:access Conference in Munich, the Degroof-Petercam Real Estate Conference in Brussels and the SRC Forum in Frankfurt, for example. VIB's capital market communication is supplemented by roadshows for current and potential investors both in Germany and abroad. 2018 also saw us hold an Investors' Day (including a tour of selected properties) for the second time at VIB's corporate head office; the event was attended by major investors and analysts from various countries.

Our proactive and transparent communication was once again honoured in the year under review. We received a Gold Award for the high standard of our communication, as well as a prize for the biggest improvement in reporting, from the EPRA (European Public Real Estate Association). The EPRA Awards are held annually on the basis of analysis performed by audit firm Deloitte and honour the quality of the annual reports of listed property companies.

FINANCIAL CALENDAR

May 15, 2019
Publication of the first Interim Report 2019

July 4, 2019
Annual General Meeting in Ingolstadt

August 7, 2019
Publication of the half-year Report 2019

3. September 2019
SRC-Forum Financial & Real Estate 2019 in Frankfurt

17./18. September 2019
Degroof Petercam's Real Estate Seminar in Brussels

23. September 2019
Berenberg and Goldman Sachs Eighth German Corporate Conference 2019 in Munich

25. September 2019
Baader Investment Conference in Munich

November 6, 2019
Publication of the second Interim Report 2019

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EPRA PERFORMANCE INDICATORS

VIB Vermögen AG has been a member of the European Public Real Estate Association (EPRA) since 2011. Based in Brussels, the organisation is the voice of major, listed European property companies and represents their interests vis-à-vis the general public. It does so by providing comprehensive information for investors and stakeholders, but also by playing an active role in public and political debates and by establishing mandatory and proven practices.

For several years, we have been guided by EPRA recommendations in terms of communication with the general public, the capital market and other stakeholders; these recommendations are published in the form of best practice recommendations (BPRs). Last year, our EPRA reporting as part of the Annual Report was honoured with the EPRA BPR Award in Gold.

As in the past, our EPRA reporting and our presentation of key figures are guided by the EPRA recommendations (BPRs) and reflect these accordingly.

EPRA PERFORMANCE INDICATORS AT A GLANCE

IN EUR THOUSAND	31/12/2018	31/12/2017	Change in %
EPRA earnings	41,777	37,620	11.0
EPRA NAV	559,949	512,547	9.2
EPRA NNNAV	471,945	426,297	10.7
EPRA vacancy rate	0.7%	0.8%	–0.1 pt.
EPRA net initial yield	6.6%	6.6%	0.0 pt.
EPRA cost ratio (incl. vacancy costs)	11.9%	12.1%	–0.2 pt.

EPRA EARNINGS

The "EPRA earnings" item shows operating revenue adjusted for extraordinary items such as valuation effects on investment properties and earnings from sales activities. Therefore, this figure indicates the extent to which a dividend payment is covered by earnings. Absolute EPRA earnings currently stand at EUR 41,777 thousand, which equates to an increase of EUR 4,157 thousand against the previous year. This rise is attributable both to further expansion of the operating property portfolio – and the accompanying increase in net basic rents – and reductions in cost items, particularly the fall in interest expenses. This trend is also reflected in the increase in EPRA earnings per share, which have climbed from EUR 1.36 to EUR 1.51.

EPRA EARNINGS

IN EUR THOUSAND		2018	2017
Group shareholders' share of earnings		**57,610**	**51,604**
adjusted for:			
(i)	Changes in value for investment properties	–19,454	–17,380
(ii)	Earnings from the disposal of investment properties	0	0
(iii)	Earnings from the disposal of trading properties	0	0
(iv)	Pro rata income tax on disposals	0	0
(v)	Badwill/impairments on goodwill	0	0
(vi)	Income/expenses from measurement of financial derivatives	0	0
(vii)	Transaction costs incurred on the acquisition of participating interests and associates	0	0
(viii)	Deferred taxes in relation to EPRA adjustments	3,079	2,750
(ix)	Adjustments to items (i) to (viii) in relation to associates	0	0
(x)	Minority interests in adjustments to EPRA earnings	542	646
Absolute EPRA earnings		**41,777**	**37,620**
Average number of shares (undiluted)		27,579,779	27,579,779
EPRA earnings per share (in EUR)		**1.51**	**1.36**

Due to the fact that no shares are currently being created through the use of conditional or authorised capital, there is no difference between the undiluted EPRA earnings per share shown above and the diluted figure.

EPRA NET ASSET VALUE (NAV)

EPRA NAV is the net asset value of the company, assuming a company strategy with a long-term focus. The fair value of assets and liabilities is adjusted for extraordinary items such as the market valuation of derivative financial instruments or deferred taxes.

EPRA NAV improved by EUR 47,402 thousand year-on-year, from EUR 512,547 thousand to EUR 559,949 thousand. The main reasons for this were the positive consolidated result and the sustained value appreciation of the property portfolio. With the number of outstanding shares staying the same, EPRA NAV per share rose from EUR 18.58 to EUR 20.30.

EPRA NET ASSET VALUE (NAV)

IN EUR THOUSAND		**31/12/2018**	31/12/2017
Total equity		527,593	483,355
Minority interest		–22,800	–21,321
NAV as shown on the consolidated balance sheet (attributable to Group shareholders)		**504,793**	**462,034**
Dilution effect due to options, convertible bonds and other equity instruments		0	0
Diluted NAV after options, convertible bonds and other equity instruments		**504,793**	**462,034**
plus:			
(i.a)	Revaluation of investment properties (if the cost model pursuant to IAS 40 is applied)	n.a.	n.a.
(i.b)	Revaluation of investment properties under construction (if the cost model pursuant to IAS 40 is applied)	n.a.	n.a.
(i.c)	Revaluation of other assets (owner-occupied properties and interests)	n.a.	n.a.
less:			
(iv)	Market value of derivative financial instruments	2,908	4,831
(v.a)	Deferred taxes	52,248	45,682
EPRA NAV		**559,949**	**512,547**
Number of outstanding shares (diluted)		27,579,779	27,579,779
EPRA NAV per share (in EUR)		**20.30**	**18.58**

EPRA TRIPLE NET ASSET VALUE (NNNAV)

EPRA NNNAV builds on EPRA NAV, with the latter increasing or decreasing by the previously adjusted-for extraordinary items such as the market valuation of derivative financial instruments, liabilities and deferred taxes.

EPRA NNNAV improved by EUR 45,648 thousand year-on-year to EUR 471,945 thousand, chiefly due to the positive consolidated result and continued value appreciation of the property portfolio. With the number of outstanding shares staying the same, EPRA NNNAV per share rose by EUR 1.65 to EUR 17.11.

EPRA TRIPLE NET ASSET VALUE (NNNAV)

IN EUR THOUSAND		**31/12/2018**	31/12/2017
EPRA NAV		**559,949**	**512,547**
plus:			
(i)	Market value of derivative financial instruments	–2,908	–4,831
(ii)	Market value of financial liabilities (after deferred taxes)	–39,024	–42,456
(iii)	Deferred taxes	–46,072	–38,963
EPRA NNNAV		**471,945**	**426,297**
Number of outstanding shares (diluted)		27,579,779	27,579,779
EPRA NNNAV per share (in EUR)		**17.11**	**15.46**

EPRA VACANCY RATE

The EPRA vacancy rate is calculated using a ratio of the estimated market rent of vacant properties to the estimated market rent of the property portfolio as a whole.

Thanks to a further reduction in vacant space in the year under review, the EPRA vacancy rate declined from 0.8% to 0.7% as of the end of the year.

EPRA VACANCY RATE

IN EUR THOUSAND	**31/12/2018**	31/12/2017
Annualised market rent for the total portfolio	78,791	74,245
Vacant properties measured at market values	542	630
EPRA vacancy rate	**0.7%**	**0.8%**

EPRA NET INITIAL YIELD

This indicator shows the ratio of annualised net basic rents at the balance sheet date to the market value of investment properties within the portfolio. Non-recoverable operating expenses are deducted from annualised net basic rents, and estimated purchasers' costs are added to the market value of investment properties.

Due to the year-on-year increase in annualised net rental income and the almost proportional rise in the market value of the property portfolio, the net initial yield increased slightly from 6.60% to 6.65%.

EPRA NET INITIAL YIELD

IN EUR THOUSAND	**31/12/2018**	31/12/2017
Investment properties as per balance sheet	1,182,548	1,096,724
Properties under construction, reserved plots	–73,098	–52,974
Assets held for sale	0	0
Market value of the property portfolio (net)	**1,109,450**	**1,043,750**
Transaction cost reduction (purchasers' costs)	52,275	49,180
Market value of the property portfolio (gross)	**1,161,725**	**1,092,930**
Annualised net basic rent	78,249	73,615
Non-recoverable operating expenses	–1,017	–1,512
Annualised net rental income	**77,232**	**72,103**
Letting incentives	–82	–126
Topped-up annualised rental income	**77,150**	**71,977**
EPRA net initial yield (in %)	**6.65**	**6.60**
Topped-up EPRA net initial yield (in %)	6.64	6.59

EPRA COST RATIO

The EPRA cost ratio describes the ratio of operating and administrative costs to rental income within a one-year period. This indicator provides an insight into the cost-effectiveness of a company's operating and administrative activities.

Given the disproportionately low year-on-year rise in net property costs, the cost ratio fell from 12.1% to 11.9%.

EPRA COST RATIO

IN EUR THOUSAND	**31/12/2018**	31/12/2017
Expenses for investment properties	14,968	13,775
Proceeds from the recovery of operating expenses	–10,665	–10,034
Personnel expenses	3,678	3,621
Other operating expenses	1,780	1,785
Other operating revenue	–843	–344
EPRA costs (incl. vacancy costs)	**8,918**	**8,803**
Direct vacancy costs	0	0
EPRA costs (excl. vacancy costs)	**8,918**	**8,803**
Revenue from net basic rents	**75,018**	**72,764**
EPRA cost ratio (incl. vacancy costs) in %	**11.9**	**12.1**
EPRA cost ratio (excl. vacancy costs) in %	**11.9**	**12.1**

EPRA REPORTING ON THE DEVELOPMENT OF THE PROPERTY PORTFOLIO

ACCOUNTING AS PER IAS 40

Due to the business activities of the company, all properties held for the purpose of letting are classed as investment properties pursuant to IAS 40. Newly acquired properties are valued at cost. Subsequent measurement is performed at fair value and recognised in profit or loss, less the ancillary costs that would be incurred by a typical potential buyer.

MEASUREMENT INFORMATION

Fair values are measured at least once a year by an independent property appraiser. We have instructed Landestreuhand Weihenstephan GmbH Wirtschaftsprüfungsgesellschaft, Freising, to perform these measurements.

The appraiser receives a set fee for producing the property appraisal, irrespective of the outcome of the appraisal.

The appraiser has produced the appraisal in accordance with the standards of the Institut der Wirtschaftsprüfer in Deutschland e. V. (Institute of Public Auditors in Germany, Incorporated Association) (IDW) (IDW S 10 – "Principles for valuing property") and has valued all properties using the discounted cash flow method. As such, the appraisal conforms with the International Valuation Standards (IVS).

The value of the investment properties shown on the balance sheet corresponds exactly with the values of the same assets as determined by the appraiser.

For more information on the valuation model applied, please refer to pages 80ff. and 103ff. of the Notes.

PORTFOLIO INFORMATION

› Remaining terms of rental agreements

The average remaining term of the company's rental agreements – five years and four months – underscores the stability of its rental income. This figure is calculated on the basis of annualised net rental proceeds for the properties let and uses the remaining terms until the first potential opportunity for termination.

NET RENTAL PROCEEDS BY REMAINING TERMS OF RENTAL AGREEMENTS

	Share in %	Net rent (EUR thousands)
Rolling	8.1	6,339
1 to 3 years	27.2	21,258
3 to 5 years	25.2	19,719
5 to 7 years	10.7	8,376
7 to 10 years	10.7	8,395
Longer than 10 years	18.1	14,187

› Overview of properties

Please refer to our website (https://www.vib-ag.de/en/real-estate/overview.html) Detailed information can be found in the section entitled "Real Estate".

› Ownership status

All properties held for rental purposes (investment properties), reserved plots and properties under construction fall fully within the scope of the Group as part of full consolidation and are fully owned by the respective Group companies.

LIKE-FOR-LIKE (LFL) RENTAL GROWTH

LFL rental growth describes the year-on-year growth of net basic rents in the operating portfolio, adjusted for property acquisitions and sales.

Adjusted net basic rents for the 2018 fiscal year (EUR 71,924 thousand) rose by EUR 808 thousand (1.14%) against the previous year's level (EUR 71,116 thousand).

This growth can be split into the following categories:

› Contractual indexing EUR 404 thousand
› Changes in the vacancy rate EUR 88 thousand
› Changes arising from existing agreements EUR 316 thousand

INFORMATION ON INVESTMENT PROPERTIES

IN EUR THOUSAND	
New investments/acquisitions	45,572
Developments, properties under construction	20,124
Subsequent capitalisation of existing properties/LFL	671
Other	0
Total investments	**66,367**

CORPORATE GOVERNANCE

Our sustainable commercial success is based on our responsible, transparent governance geared towards long-term value creation. This is also particularly relevant in terms of day-to-day dealings with our stakeholders, tenants, shareholders and business partners, as well as employees and actors on the financial and capital markets. On account of its listing as an open-market stock in the m:access quality segment of the Munich Stock Exchange, VIB is not bound by the formal requirements of Sect. 161 of the German Stock Corporation Act (AktG) and is therefore not required to submit a declaration of conformity with the German Corporate Governance Code. In the interests of maximum transparency, however, we believe that it is important to outline the fundamental aspects of our corporate governance policy, which are detailed below.

INFORMATION ABOUT CORPORATE GOVERNANCE PRACTICES

For VIB Vermögen AG, applicable legislation – especially company and capital market law – the company's articles of incorporation, the rules of procedure of the Supervisory and Managing Boards and observance of the Group-wide Code of Conduct form the foundation for governance and supervision of our company.

VIB Vermögen AG also believes, however, that good corporate governance entails the application of corporate governance practices that go above and beyond statutory and internal regulations. The ability of both the management and workforce to act in a proactive and committed fashion, and to respond flexibly and promptly to change, contributes to sustainable commercial success. A stated aim of the company is to win and retain the trust of all stakeholders in the reliability and performance of VIB Vermögen AG.

In general terms, this requires a high degree of personal initiative and openness to change, as well as expertise and dedication on the part of the whole team. The senior management of VIB Vermögen AG treat their employees with great respect and courtesy, set high standards, provide impetus and always strive to inspire the necessary confidence. In day-to-day operations, individuality is respected and diversity of opinion fostered at VIB. Decisions are implemented with purpose and resolve in an atmosphere characterised by mutual acceptance and appreciation.

WORKING STYLE OF THE MANAGING AND SUPERVISORY BOARDS

A key feature of German company law is the dual governance system, which comprises a Managing Board and a Supervisory Board. The Managing Board is the governing body of a public limited company (Aktiengesellschaft) and the Supervisory Board is the oversight body. The Managing Board of VIB Vermögen AG consists of two members and is directly responsible for managing the company. The Supervisory Board monitors the Managing Board and advises it on the running of the business. In particular, it appoints the members of the Managing Board and is responsible for Managing Board matters. The Supervisory Board of VIB is made up of three members. The professional experience of the Supervisory Board members – who, pursuant to the articles of incorporation, are elected for five-year terms – reflects the activities of VIB Vermögen AG, qualifying them to perform a supervisory and advisory role in respect of the Managing Board of VIB Vermögen AG.

When selecting members of the Supervisory Board, the emphasis is not only on experience, but also on the skills and specialist knowledge necessary to perform the role. On account of the size of the company, the Supervisory Board has not formed any committees, as it is possible for the Supervisory Board to work effectively as a whole. The Supervisory Board has drawn up rules of procedure governing its work. The Supervisory Board is quorate when all three Supervisory Board members are present for a vote. Resolutions are passed with a majority of the votes cast. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents its interests vis-à-vis external parties. The Supervisory Board report issued to the Annual General Meeting outlines details of the Supervisory Board's work in the year under review.

The Managing and Supervisory Boards of VIB Vermögen AG work together closely and in a spirit of mutual trust as they perform their statutory duties. The aim is to sustainably increase the value of the company. The Supervisory Board is consulted on corporate strategy and planning, as well as on all other questions of fundamental importance to the company. Significant business transactions are subject to approval requirements set out by the Supervisory Board. The Managing Board provides the Supervisory Board with regular and comprehensive information – both in a timely fashion in writing and at the Supervisory Board meetings – on all developments and events significant to the company. This information pertains to the general course of business, corporate planning, risk reporting and any compliance measures employed by the Managing Board to ensure adherence to rules and legislation within the company. If necessary, the Supervisory Board will meet without the Managing Board, and extraordinary Supervisory Board meetings will be held.

In the 2018 fiscal year, there were no conflicts of interest on the part of Managing and Supervisory Board members that had to be disclosed to the Supervisory Board. There were also no consultancy contracts, or other contracts for services/works, between the members of the senior management and the company in the 2018 fiscal year.

We do not regard a general age limit for Managing and Supervisory Board members as appropriate. The ability to successfully lead a company or to monitor the Managing Board in the necessary manner from a Supervisory Board position does not, in our view, stop at a certain age.

The company has taken out D&O insurance (directors' and officers' liability insurance) for the Managing and Supervisory Boards. In the event of a claim, an excess of 10% has been agreed upon for Managing and Supervisory Board members alike.

MANAGING AND SUPERVISORY BOARD REMUNERATION

The system, amount and payment dates of Managing Board remuneration are set out and regularly reviewed by the Supervisory Board on behalf of VIB Vermögen AG. In terms of evaluating the appropriateness of remuneration, the extent of the duties and areas of responsibility of the individual Managing Board member are taken into account on the one hand; on the other hand, factors such as the size of the company, its asset, financial and earnings position, and its development opportunities are considered on the other.

The remuneration system for the Managing Board of VIB Vermögen AG comprises a non-performance-related component and a performance-related component. The non-performance-related component consists of a fixed annual salary and ancillary benefits, as well as the granting of pension commitments. The fixed annual salary is payable in twelve monthly instalments. The ancillary benefits primarily comprise insurance premiums and the use of company cars. Tax is paid on taxable ancillary benefits by each Managing Board member separately.

The performance-related component of the remuneration system is tied to the economic performance of the company and is subject to upper monetary caps. The system combines both short- and long-term components that are linked to the sustainable development of the company. The performance-related remuneration is calculated on the basis of the consolidated pre-tax profit per share reported for the year, adjusted for valuation effects and extraordinary items.

As an open-market issuer, VIB Vermögen AG is not bound by the German Corporate Governance Code (GCGC) and therefore does not prepare a separate remuneration report in table form as set out in the Code. As a publicly traded company, we nonetheless wish to fulfil increasing transparency requirements and include the following breakdown of VIB Managing Board remuneration:

Overall Managing Board remuneration stood at EUR 1,072 thousand in the year under review.

The Chief Executive Officer was paid total remuneration of EUR 539 thousand. This amount comprises a non-performance-related component of EUR 186 thousand and a performance-related component of EUR 353 thousand. The non-performance-related component includes a fixed annual salary of EUR 174 thousand and ancillary benefits in the amount of EUR 13 thousand.

The Chief Financial Officer was paid total remuneration of EUR 533 thousand in the 2018 financial year. This amount comprises a non-performance-related component of EUR 180 thousand and a performance-related component of EUR 353 thousand. The non-performance-related component includes a fixed annual salary of EUR 168 thousand and ancillary benefits in the amount of EUR 12 thousand.

In addition, pension contributions of EUR 224 thousand for serving and former Managing Board members are included in personnel expenses. Pension payments of EUR 36 thousand were made to former Managing Board members in the year under review.

Benefits paid to a Managing Board member on the occasion of premature termination of their Managing Board tenure due to a change of control are limited to three annual salaries.

No advances or loans were granted to members of the Managing Board by the company. In the year under review, no Managing Board member received benefits or benefit commitments from a third party in respect of their position as a Managing Board member.

The Supervisory Board did not grant the Managing Board members any one-off benefits in the 2018 fiscal year.

Furthermore, no share option programmes or similar securities-oriented incentive systems are currently in place for the Managing Board.

Supervisory Board compensation stood at EUR 185 thousand in the year under review. Compensation for the Chair of the Supervisory Board stood at EUR 80 thousand, and EUR 60 thousand for the Deputy Chair. Compensation of EUR 45 thousand was paid to the third member of the Supervisory Board.

FURTHER ELEMENTS OF GOOD CORPORATE GOVERNANCE

INFORMATION AND TRANSPARENCY FOR SHAREHOLDERS

By law, the Annual General Meeting is the platform for the shareholders of VIB Vermögen AG to exercise their voting rights and obtain information. Our shareholders exercise their rights at the company's Annual General Meeting. The Annual General Meeting votes on all matters that, as prescribed by law, are of a binding nature for all shareholders and the company.

All documents relating to the Annual General Meeting required by law are, pursuant to company law, available in German on our website (www.vib-ag.de). These include the invitation, the agenda items, any reports and information required for voting purposes and any information on attending the Annual General Meeting, voting and safeguarding shareholder rights.

The Annual General Meeting is organised in order to ensure that shareholders are provided with comprehensive information in a timely and effective manner. Whenever a ballot is held, each share entitles the holder to one vote. All shareholders who register on time and in accordance with the eligibility requirements set out in the invitation to the Annual General Meeting are entitled to attend the Annual General Meeting. Shareholders who are unable to attend the Annual General Meeting in person have the opportunity to entrust their voting rights to official proxies named by VIB Vermögen AG, but who are bound by the shareholders' instructions, or to be represented by a financial institution, a shareholders' association or another proxy chosen by the shareholder. The official proxies can be contacted during the entire duration of the Annual General Meeting. Following the Annual General Meeting, the attendance figures and voting results will be published in the "Investor Relations" section of the company's website (www.vib-ag.de). The next Annual General Meeting of VIB Vermögen AG will be held on July 4, 2019, in Ingolstadt.

All half-yearly and annual reports, as well as the interim reports, can be accessed on the company's website. The Managing Board regularly and promptly informs shareholders, interested investors, analysts and the media of significant developments at the company. This is done by means of publishing corporate news and, where necessary, ad hoc releases. The "Investor Relations" section of the company's website (www.vib-ag.de) also provides an interested audience with more comprehensive information on VIB Vermögen AG. Important dates for shareholders are also listed in a financial calender and published online on an annual basis. The financial reports, the financial calendar and ad hoc/press releases are available for download online in the "Investor Relations" section of the company website (www.vib-ag.de).

COMPLIANCE

In its day-to-day operations, VIB Vermögen AG is reliant on the trust of all its stakeholders. Behaviours that could harm this trust, unfairly influence the capital market or damage the reputation of our company must be avoided.

For the company, its governance and oversight bodies and its employees, compliance is therefore not just the adherence to existing legislation, but also adherence to internal instructions and voluntary commitments in order to put the values, principles and rules of responsible corporate governance into practice in day-to-day business operations. The central element in this regard is the Group-wide VIB Code of Conduct, which sets out explicit rules on fair competition and the avoidance of conflicts of interest, the non-discrimination of minorities, the prevention of corruption (Group-wide Anti-Corruption Guidelines), data protection and the conduct of VIB employees in public.

Each employee is personally responsible for ensuring that they comply with the Code of Conduct. If employees or external third parties and business partners have any information about possible breaches of the law or contraventions of guidelines, they can contact the VIB Vermögen AG Compliance Officers directly at Verhaltenskodex@vib-ag.de.

The company helps employees to independently incorporate the issue of compliance in their day-to-day work by means of regular training programmes (e.g. data protection, legal issues concerning their specific role, etc.).

RISK MANAGEMENT

The responsible handling of business risks, i.e. an efficient risk management system (RMS), also helps ensure the success of good corporate governance. An RMS of this nature makes it possible to identify and assess risks at an early stage and to initiate appropriate countermeasures. To this end, the Managing Board of VIB Vermögen AG has company-specific reporting and control systems at its disposal. Furthermore, these systems are reviewed and enhanced on a regular basis and cover all areas of the company. The Managing Board informs the Supervisory Board of existing risks and their progression on a regular basis. Within the context of the end-of-year audit of the annual financial statements, the Supervisory Board focuses particularly on overseeing the accounting process including reporting, the effectiveness of the internal control system, the risk management system, compliance and the final audit. In the risk report, which forms part of the consolidated management report in the 2018 Annual Report, we report on the principles of the risk management system and the current risks to the company.

ACCOUNTING AND END-OF-YEAR AUDIT

VIB Vermögen AG prepares its annual financial statements in accordance with the provisions of the German Commercial Code (HGB), the German Stock Corporation Act (Aktiengesetz) and the International Financial Reporting Standards (IFRS).

The annual financial statements of VIB Vermögen AG and the consolidated financial statements for 2017 were audited by the audit firm appointed at the Annual General Meeting – S&P GmbH Wirtschaftsprüfungsgesellschaft, Augsburg – before being approved and adopted by the Supervisory Board. The audits were conducted in accordance with German audit guidelines and with due regard to the principles of proper end-of-year audits as set out by Institut der Wirtschaftsprüfer in Deutschland e. V. (Institute of Public Auditors in Germany, Incorporated Association) (IDW).

At the 2018 Annual General Meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was chosen as the new auditor of the annual financial statements of VIB Vermögen AG and the 2018 consolidated financial statements. Prior to a proposal being made as to the choice of auditor, the Supervisory Board obtained a declaration from the auditor detailing any relations between the auditor, its governing bodies and audit manager and the company or members of its bodies. There were no doubts as to the auditor's independence.

VIB VERMÖGEN AG – 25 YEARS OF SUSTAINABLE GROWTH

We have been committed to the sustainable development of our property portfolio for 25 years. Our top priority has always been healthy growth and sustainable, long-term returns. For us, it is paramount that our economic objectives go hand in hand with our environmental and social responsibility, which we take extremely seriously. Our success proves us right: over the past 25 years, VIB has grown into one of the most successful developers and portfolio managers of properties in the logistics, light industry and retail sectors in Germany.

Whilst VIB was breaking new ground for the company back in 1993 when it built its first logistics property (for a major automotive supplier), we now handle such projects with experience and passion. In 2018 alone, we completed three logistics properties with a total useful area of approx. 57 thousand sqm and an investment volume of EUR 41.3 million – and handed these properties over to the tenants on schedule. Since 2013, we have completed properties with an aggregate value of EUR 300 million and a total area of 315 thousand sqm. As a company, we are very proud of our track record.

Our business model, which we pursue as a portfolio manager of commercial properties, is characterised by a long-term planning horizon in respect of both in-house developments and direct acquisitions. This is reflected in the fact that our tenants usually remain in our properties for several decades. Accordingly, we invest in maintenance and modernisation measures across the entire life cycle.

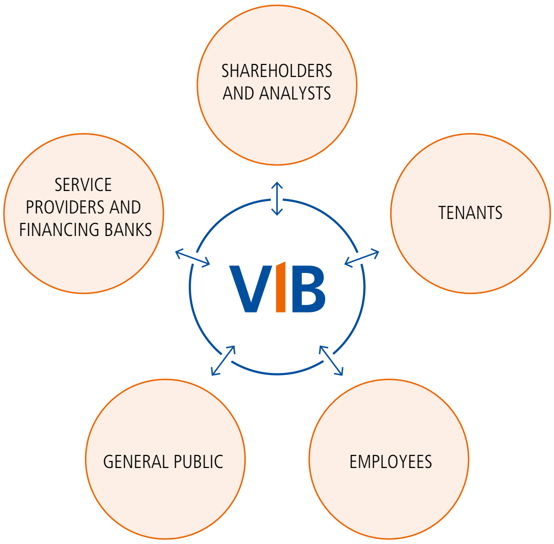
In respect of a potential change of tenant, we ensure that our properties offer versatile usability and remain in a good condition. Furthermore, we pursue a financing strategy that is largely dominated by long-term annuity loans.

SUSTAINABILITY – A DIALOGUE WITH OUR STAKEHOLDERS

As a publicly traded company, we maintain relations with a variety of stakeholder groups. By virtue of our many years of experience and our regional focus on southern Germany, we know these stakeholders very well indeed. Regular communication with these groups helps us understand their views and expectations, identify room for improvement and devise specific courses of action.

Our most important stakeholders are employees, tenants, shareholders and analysts, as well as public interest groups from the fields of politics, society and the media and our service providers and financing banks. They all make an important contribution to the successful development of the company.

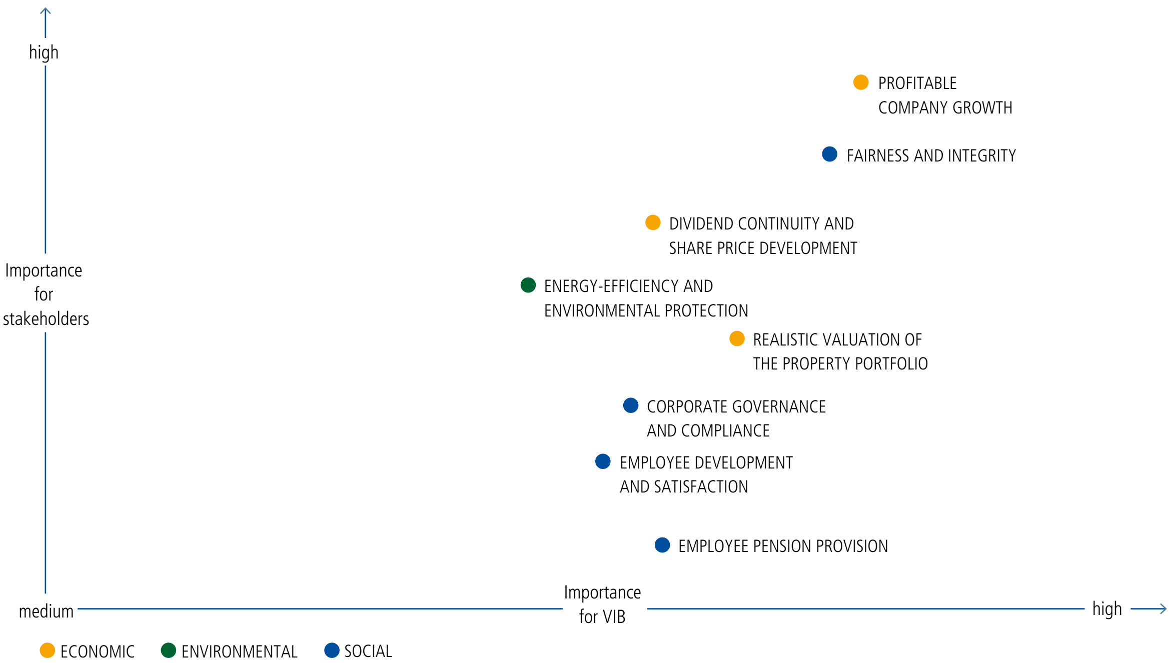
VIB STAKEHOLDER APPROACH: 5 CATEGORIES



SUSTAINABILITY ISSUES OF MATERIAL IMPORTANCE AT VIB

As an experienced property developer and portfolio management company, we have built up a close-knit network with our key stakeholder groups. On the basis of our day-to-day work and our long-standing dialogue with them, we have identified various issues that have a notable influence on the sustainable development of VIB. We have presented the most significant of these issues in the form of a materiality matrix. In order to take the differing levels of significance of the individual issues into account, we have performed individualised weighting of the issues for each individual stakeholder. The materiality matrix comprises what we regard as the most important economic, environmental and social issues; these play a material role in both the sustainable business success of VIB and the acceptance of VIB on the part of our stakeholders.

THE MATERIALITY MATRIX OF VIB VERMÖGEN AG



ATTRACTIVE PROJECT DEVELOPMENT AND SUSTAINABLE PORTFOLIO MANAGEMENT HAVE BEEN THE HALLMARKS OF VIB FOR MORE THAN 25 YEARS.

1993 – WHERE IT ALL BEGAN:

VIB's first-ever property, Neuburg/Danube:
development project in the logistics segment for an automotive supplier, fully let, useful area of 12,400 sqm, total term of the rental agreement with the inaugural tenant: 30 years

2018 – COMPLETION OF THREE DEVELOPMENT PROJECTS:

Schwarzenbruck near Nuremberg:
development project in the logistics segment, property fully let, useful area of 31,000 sqm, investment volume of EUR 20.5 million, rental agreement terms of ten/five years

Vaihingen, Stuttgart metropolitan region:
development project in the logistics segment, property fully let, useful area of 11,800 sqm, investment volume of EUR 10.9 million, term of rental agreement: nine years

Kopernikusstrasse 2, Interpark near Ingolstadt:
development project in the logistics segment, property fully let, useful area of 13,700 sqm, investment volume of EUR 9.8 million, rental agreement terms: nine/five years

ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

In our opinion, the cornerstone of sustainable company development is always built on economic factors, as there can be no lasting positive development in environmental and social issues without economic success.

In terms of environmental sustainability, properties offer numerous starting points that go beyond existing statutory requirements, regardless of whether they are logistics, retail or office spaces. Both in terms of our new builds and our existing properties, we therefore always take into account ecological aspects such as resource-saving construction methods and good alternative usability.

Within the scope of our business operations, we come into contact with a vast array of social groups. As part of the shared interaction, the focus is not only on economic and environmental issues, but also on social considerations. Our commitment is reflected on a regional level in the form of donations and grants for school, scientific, sporting, social and other projects.

Alongside compliance with applicable legislation, VIB is also subject to internal guidelines and processes, as well as the provisions of a Group-wide Code of Conduct and an Anti-Corruption Guideline. The aim is to ensure that our day-to-day commercial operations are always characterised by mutually responsible and fair dealings.

CONCLUSION

Ever since VIB Vermögen AG was founded more than 25 years ago, sustainability has been a core component of the company's day-to-day operations and its values. Our aim is not only to generate added value for our shareholders and tenants; indeed, we are also committed to the general public, our business partners and, last but not least, our employees in everything we do. For us, responsible and transparent corporate governance is essential for the long-term success of our company.

Sustainability aspects are not only taken into consideration in dealings with our stakeholders, but are also at the heart of our growth strategy. Sustainable and profitable growth, on the basis of environmental and social aspects, will continue to shape our actions in the years to come.

The complete Sustainability Report of VIB Vermögen AG is available online at www.vib-ag.de.

CONSOLIDATED MANAGEMENT REPORT

DETAILED INDEX

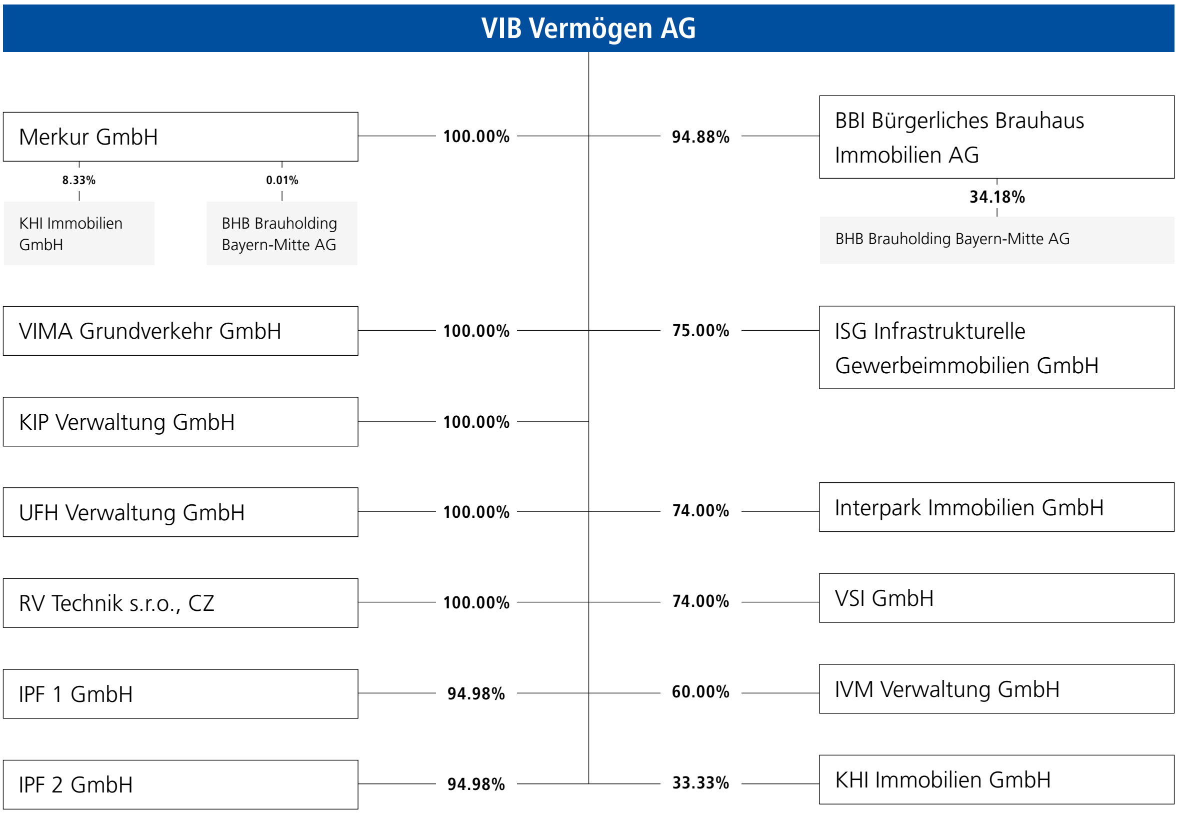
BASIS OF THE GROUP

1. BUSINESS ACTIVITIES, GROUP STRUCTURE AND PARTICIPATING INTERESTS

VIB Vermögen AG (also referred to below as "we", "VIB" or "the VIB Group") is a medium-sized public stock corporation specialising in commercial real estate management that has been operating successfully for more than 25 years. We focus on properties in the logistics/light industry and retail sectors in the economically strong region of southern Germany. Founded as an unincorporated firm in 1993, it was converted into a public stock corporation in 2000. VIB's shares have been listed on the Munich (m:access) and Frankfurt (Open Market) Stock Exchanges since 2005, with both listings classed as open-market listings.

Our business model is based on a "develop-or-buy-and-hold" strategy. We develop new properties from scratch and acquire properties that are usually already fully let in order to transfer them to our portfolio over the long term and generate lasting rental income from them. VIB also holds investments in companies with real estate assets. As of December 31, 2018, our portfolio comprised a total of 108 logistics and light industry properties and specialist retail parks as well as commercial and service centres, with a total rentable area of approximately 1.1 million sqm. Another part of our strategy is that our properties are managed by our own employees, meaning that we always maintain close ties to our tenants. We are assisted with these administrative activities by our wholly owned subsidiary Merkur GmbH.

OVERVIEW OF PARTICIPATING INTERESTS AS OF DECEMBER 31, 2018



We acquired a majority interest in BBI Bürgerliches Brauhaus Immobilien AG (“BBI Immobilien AG”, “BBI”) in 2007. The interest we held as of the end of the 2018 fiscal year remained unchanged at 94.9% of the share capital of BBI Immobilien AG. VIB Vermögen AG indirectly holds 34.2% of the shares in BHB Brauholding Bayern-Mitte AG (“BHB Brauholding AG”, “BHB”), which was founded in November 2009.

A profit-transfer agreement is in place between VIB Vermögen AG and BBI Immobilien AG. Accordingly, VIB Vermögen AG has undertaken to pay the outside shareholders of BBI reasonable monetary compensation (a guaranteed dividend) of EUR 0.74 (gross) per ordinary share for the duration of this agreement as a repeat annual payment.

2. CORPORATE TARGETS AND STRATEGY

As a company listed in the open market, we pursue the objective of continuously and sustainably increasing the value of our company by expanding our property portfolio. The management of high-yield commercial properties enables high recurring cash flows (funds from operations, FFO), sustained increases in the net asset value (EPRA net asset value, EPRA-NAV) of the company and the distribution of attractive dividends to our shareholders.

VIB pursues a threefold strategy to this end:

DEVELOP-OR-BUY-AND-HOLD STRATEGY

We continuously expand our property portfolio by means of targeted in-house developments and acquisitions in the high-growth regional centres of southern Germany. Our focus in this regard is on the strong economic sectors of logistics and retail. In Germany, both of these segments play a prominent role in the value chain and have been recording steady growth rates for years. We focus on German medium-sized commercial tenants and multinational corporations with high credit ratings who therefore make a substantial contribution to the value retention of our real estate portfolio. We also invest in industrial and office properties in order to ensure broad asset diversification.

Whether developing new properties or acquiring existing ones, we also harness the network of regional and nationwide partners that we have built up over more than 25 years. Selecting the optimum location of a property plays a particularly vital role for us in this regard, irrespective of whether we are acquiring the property or developing it ourselves. An important element of our development strategy is that our construction projects usually only begin once we have binding rental agreements in place for a significant portion of the property concerned. This approach minimises our project and financing risks and enables speedy and needs-driven completion of construction projects in the interests of customers.

SUSTAINABLE FINANCING

Financing is pivotal to any real estate project. Thanks to our close ties to the financial and capital markets, we are always able to strike just the right balance between equity and debt financing. On the debt financing side, we focus primarily on annuity loans and therefore pursue a sustainable and long-term financing approach. We therefore not only benefit from the continued low interest rates in the long term, but also continually increase the EPRA net asset value (EPRA NAV) of our portfolio by repaying these loans on an ongoing basis. However, promissory note loans or short-term variable loans, such as those based on EURIBOR, are also deployed and serve to complement our debt capital mix. On the equity side, we use the entire spectrum of available capital measures as required, such as the issuance of mandatory convertible bonds and the carrying out of traditional capital increases.

IN-HOUSE PORTFOLIO MANAGEMENT

When it comes to facilities management, we deliberately eschew the services of external providers and rely instead on efficient management by our own staff. Through intensive contact with our tenants, we can respond rapidly to changes in market circumstances and tenant needs. A high degree of tenant loyalty and the long-term rental of our properties to individual solvent tenants also facilitate low administration costs and a vacancy rate that has been very low for several years.

3. STEERING SYSTEM

Profitable growth is the primary aim of our business model. On this basis, we aim to achieve a continuous increase in the value of the company and, with a view to our stakeholders, safeguard its long-term future. The economic planning and steering of the company is the responsibility of the Managing Board. The underlying conditions are defined in relation to the business strategy and formulated as concrete targets within the scope of annual budget planning. These targets are reviewed on a regular basis using the key performance indicators. If any deviations are identified, the planning requirements are reviewed and, if necessary, modified; specific countermeasures are also instigated.

VIB focuses on the significant financial performance indicators of revenue, adjusted EBT (earnings before tax) and FFO (funds from operations).

Revenue is the primary indicator in terms of measuring company growth. This indicator includes income from let properties and comprises net basic rents and ancillary operating costs paid by tenants. Adjusted EBT (earnings before tax) is the most important performance indicator in terms of measuring the company's earnings position. It is adjusted for one-off factors and valuation effects to improve comparability of earnings between reporting periods. It is calculated by deducting interest, depreciation and amortisation from EBITDA (earnings before interest, tax, depreciation and amortisation). For us, FFO is the most important indicator in terms of the operational development of our property portfolio and can be derived from EBIT (earnings before interest and tax). The calculations do not consider potential property-related valuation effects, non-cash expenses and income and other extraordinary effects.

The most important non-financial indicators of VIB are the vacancy rate and the average interest rate on borrowing liabilities.

The vacancy rate indicates the share of our total useful space that is not let as of the cut-off date and that is therefore not generating any rental income. The vacancy rate is calculated on the basis of the annualised net rents that our properties are capable of generating.

The average interest rate on our portfolio of loan borrowings is an important indicator in terms of our long-term and sustainable financing strategy. Alongside the total volume of loan borrowings, the average interest rate has a particularly significant influence on the amount of interest expenses. At the same time, these constitute the largest expense item on our income statement.

KEY PERFORMANCE INDICATORS AT A GLANCE

KPI	Description	**2018**	2017
Financial performance indicators			
Revenue	Revenue (as per income statement)	EUR 86.8 million	EUR 83.6 million
Adjusted EBT	Earnings before tax excluding valuation effects and extraordinary items	EUR 51.7 million	EUR 47.1 million
FFO	Funds from operations (indicates the property portfolio's earnings strength)	EUR 45.3 million	EUR 41.2 million
Non-financial performance indicators		**Value as of 31/12/2018**	Value as of 31/12/2017
Vacancy rate	Based on annualised net rent	0.7%	0.8%
Average interest rate on borrowing portfolio	Fixed- and variable-interest borrowings	2.33%	2.55%

4. EMPLOYEES

As of the end of the 2018 fiscal year, the VIB Group employed 32 commercial staff in addition to the two members of the Managing Board (31/12/2017: 33 staff). In addition, 5 industrial staff (31/12/2017: 5 staff) were employed, primarily in part-time employment arrangements associated with the facilities management of some properties. The resulting expenses are passed on to our tenants via ancillary costs.

In the fiscal year under review, the Managing Board comprised Martin Pfandzelter (CEO) and Holger Pilgenröther (CFO).

Sustainability and continuity are not only the defining characteristics of our core business, but also of our HR policy. VIB fosters its employees by means of internal and external training courses and professional development opportunities that are always geared towards the needs of our core business. We are proud that many of our employees have been with the company for many years.

BUSINESS REPORT

1. MARKET AND COMPETITIVE ENVIRONMENT

MACROECONOMIC TRENDS

According to figures issued by the International Monetary Fund (IMF), the global economy grew by 3.7% in 2018, down slightly on the previous year. However, the risks of an economic slowdown are becoming increasingly significant. Alongside global trade conflicts – particularly the one between the world's two largest economic powers, the United States and China – uncertainty is also being witnessed in other areas, such as the currently hard-to-predict consequences of Brexit. Furthermore, emerging and developing countries are faced with increasingly challenging financing conditions due to more expensive loans and the expectation of rising oil prices.

The eurozone once again posted solid economic growth of 2.1% in 2018, which was only marginally lower than in the previous year. Despite multiple uncertainties, the EU economies therefore continue to benefit from strong domestic demand and high investment activity, which, not least, has led to an increase in new jobs. The interest rate climate remains favourable. The general government deficit and the debt-to-GDP ratio in the eurozone will continue to fall on account of ongoing low interest expenses.

Growth in the export-led German economy slowed more considerably in the year under review. Following an increase of 2.2% in 2017, gross domestic product rose by just 1.4% in the year under review. The German economy was mainly bolstered by sustained consumer spending, increased corporate investment levels and the ongoing boom in the construction sector. The high levels of government spending, which includes employee salaries and social benefits in kind, also contributed to growth.

German exports increased on average during 2018, but not as strongly as in previous years. Price-adjusted exports of goods and services climbed by 2.4%, with imports rising by 3.4% during the same period. Despite the weaker growth, Germany still held its own as one of the world's leading export nations, generating the world's largest current account surplus in 2018.

The German government once again achieved a budget surplus in the year under review. Following a rise of 1.0% in the previous year, the surplus generated by the federal government, state governments, local authorities and social security funds stood at 1.7%, or EUR 59 billion, in 2018. The exchequer continues to benefit from the performance of the economy, which has been strong for many years, and the continued low interest rates.

SECTOR TRENDS

VIB is chiefly focused on the development, acquisition and portfolio management of commercial properties in the logistics and retail sectors. In Germany, both of these sectors play a prominent role in the value chain and have been recording steady growth rates for years. Retail is the second-largest sector (after the automotive industry) and generated annual revenue of EUR 525 billion in 2018, which equates to a year-on-year increase of 2.3%. Key factors underpinning the continued positive development are strong private consumer spending, record-high employment levels and continuous wage increases.

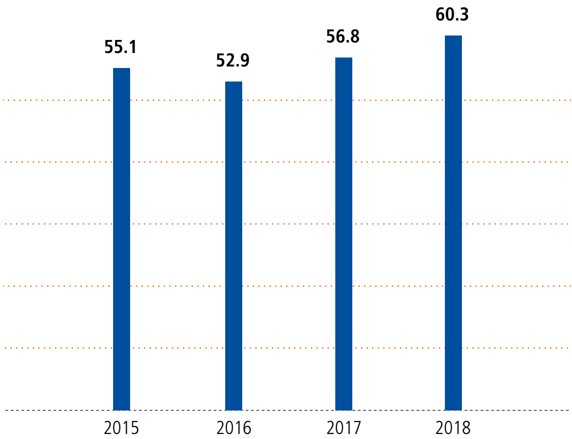
The logistics sector follows in third place. With annual revenue of EUR 274 billion, the sector posted a year-on-year increase of 2.6%. As a result, Germany continues to successfully defend its globally leading position. Thanks to its excellent geographical location, highly developed infrastructure and state-of-the-art logistics technology, Germany holds a 25% share of the entire European logistics market – a market that is worth roughly EUR 1 trillion.

Despite a marked economic slowdown, moderate interest rate rises, trade conflicts and Brexit, the German commercial property market remained robust. According to Jones Lang LaSalle, one of Germany's leading real estate service providers, demand remains high for property as an asset class. Given the lack of alternatives for investors, another reason for the ongoing property boom is that many investors want to further increase the share of property in their investment portfolios.

With a transaction volume for commercial properties of EUR 60 billion, a new record was set in 2018. As a result, the volume has increased threefold since 2010, with growth of 6%, or EUR 3.5 billion, compared with 2017. As in previous years, foreign investors played a significant role, accounting for 42% of the total volume. Although traditional countries of capital origin, such as the United States and United Kingdom, continue to lead the way, they do not enjoy the same level of dominance as in previous years. This is because investors from other European countries and Asia have significantly expanded their activities in comparison with recent years.

TRANSACTION VOLUME FOR COMMERCIAL PROPERTIES IN GERMANY

IN EURO BILLION

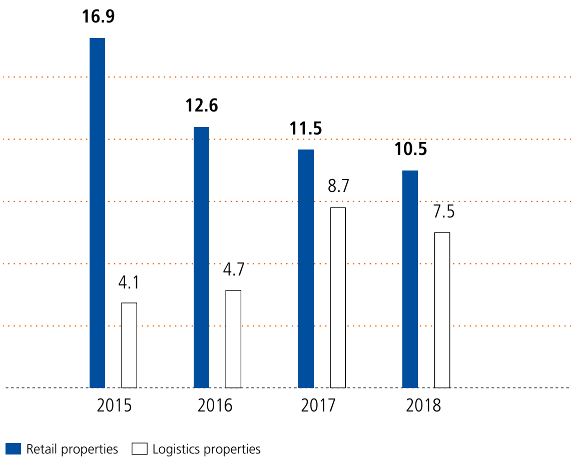


Office space once again represented the most popular asset class in 2018, with a transaction volume of approx. EUR 29 billion. By contrast, the transaction volume for retail properties fell by 9% and now stands at just EUR 10.5 billion. Whereas investors in the shopping centre segment tended to be more hesitant, superstores and retail parks – a core competency of VIB – grew to become the most popular category within the asset class of retail last year.

Demand for logistics properties was once again very high in 2018, even though the transaction volume of EUR 7.5 billion was down on the record level witnessed in the previous year. In a multi-year comparison, the transaction volume of this asset class – which is popular with domestic and foreign investors alike – has exhibited steady growth rates for many years. The transaction volume generated in 2018 is 60% higher than the five-year average.

TRANSACTION VOLUMES IN THE LOGISTICS AND RETAIL SECTORS

IN EUR BILLION



2. COURSE OF BUSINESS

TARGET/ACTUAL COMPARISON

	Guidance for 2018	Actual figure in 2018
Financial performance indicators		
Revenue	EUR 85.0 million to EUR 89.0 million	EUR 86.8 million
EBT excluding valuation effects and extraordinary items	EUR 48.0 million to EUR 50.5 million	EUR 51.7 million
FFO (funds from operations)	EUR 42.0 million to EUR 44.5 million	EUR 45.3 million
Non-financial performance indicators	Guidance for 31/12/2018	Actual figure as of 31/12/2018
Vacancy rate	Low, single-digit percentage range	0.7%
Average interest rate on borrowing portfolio	Moderate reduction against the level as of 31/12/2017 (2.55%)	2.33%

VIB has successfully continued its growth trajectory of recent years and, in 2018, met or exceeded all the financial targets that it had set for itself.

Revenue of EUR 86.8 million lay in the middle of the EUR 85.0 million to EUR 89.0 million guidance that we set for ourselves. Rental incomes from the properties in Schwarzenbruck, in Vaihingen and at Interpark near Ingolstadt – which were completed and handed over in 2018 – contributed to the increase in revenue, as did the properties completed in the previous year that generated rental incomes across an entire year for the first time in 2018.

Earnings before tax (EBT), excluding valuation effects and extraordinary items, amounted to EUR 51.7 million in the reporting period, which is slightly higher than the guidance of EUR 48.0 million to EUR 50.5 million issued at the start of the year. The main reason for this positive trend lay in lower interest expenses due to a further fall in the average borrowing rate.

Alongside our financial targets, we also met or exceeded all our non-financial targets.

In respect of the vacancy rate on the basis of effective annual net rents, we predicted a low, single-digit percentage figure as of December 31, 2018. We met this target with a vacancy rate of 0.7% (31/12/2017: 0.8%). The main reason for what is yet again a very low vacancy rate was the efficient, tenant-oriented management of our property portfolio by in-house employees of the VIB Group.

We recorded an average interest rate of 2.33% on our portfolio of borrowings as of December 31, 2018, having forecast a moderate improvement on the figure as of December 31, 2017 (2.55%). Thanks to the continued highly favourable interest rate conditions for new financing agreements and existing loans whose fixed-interest periods are expiring, we achieved the predicted reduction.

We once again continued to grow in 2018, investing a total of EUR 41.3 million in new properties and sites, as well as in the modernisation of our existing properties (previous year: EUR 29.6 million). Another component of our investment strategy, however, involves redensification projects on unused land around existing properties, some of which have been in our portfolio for many years. As there is no need to acquire new land for construction projects of this kind, it is usually possible to generate particularly attractive returns. A new property of this type was handed over at Grundig business park in Nuremberg at the start of the year, with ten-year rental agreements in place. The new property boasts commercial and office space totalling approx. 8,500 sqm and was completed for EUR 6.5 million.

Midway through the year, a logistics facility in Schwarzenbruck near Nuremberg was completed and added to the portfolio on schedule. The useful area of the fully let property comes to around 31,000 sqm, with an investment volume of EUR 20.5 million. Furthermore, two development projects – one in Vaihingen near Stuttgart and one at Interpark near Ingolstadt – were completed in September. Both properties were constructed for the same tenant and have a total useful area of 25,500 sqm. Total investment for the properties, which are let on a long-term basis, came in at EUR 20.7 million.

As of December 31, 2018, the property portfolio of the VIB Group comprised a total of 108 properties (31/12/2017: 105 properties) with a total rentable area of 1.12 million sqm (31/12/2017: 1.06 million sqm). The portfolio's vacancy rate fell slightly to 0.7% (31/12/2017: 0.8%). Due to the further increase in the size of our property portfolio, the annualised net rental income rose to EUR 78.2 million as of December 31, 2018 (31/12/2017: EUR 73.6 million). At the same time, the market value of the portfolio increased to EUR 1,182.5 million as of the balance sheet date (31/12/2017: EUR 1,096.7 million), whereas the average rental yield of all Group properties stood at 7.02% (31/12/2017: 7.09%).

3. EARNINGS, ASSETS AND FINANCIAL POSITION

EARNINGS POSITION

SELECTED INDICATORS OF EARNINGS POSITION

IN EUR THOUSAND	**2018**	2017	Change
Revenue	86,789	83,550	+3.9%
EBIT	86,952	81,822	+6.3%
EBIT excluding valuation effects and extraordinary items	67,498	64,442	+4.7%
EBT	71,200	64,453	+10.5%
EBT excluding valuation effects and extraordinary items	51,746	47,073	+9.9%
Consolidated net income	59,895	53,938	+11.0%
Earnings per share in EUR (undiluted and diluted)	2.09	1.87	+11.8%

Revenue rose by EUR 3.2 million to EUR 86.8 million in the 2018 fiscal year (previous year: EUR 83.6 million). This was chiefly attributable to additional rental incomes from new investments and properties completed in the previous year that only generated rental incomes across an entire year for the first time in 2018. Alongside rental incomes, the item “Revenue” also includes operating costs paid by tenants. Other operating revenue came in at EUR 1.4 million (previous year: EUR 0.3 million). This item chiefly includes revenue from insurance payouts related to building damage. Total operating revenue, which comprises revenue and other operating revenue, rose by EUR 4.3 million to EUR 88.2 million (previous year: EUR 83.9 million).

The market valuation of our properties and sites as of December 31, 2018, led to positive changes in value for investment properties of EUR 19.5 million (previous year: EUR 17.4 million). This item includes both increases and reductions in value. Net value increases came to EUR 27.7 million (previous year: EUR 21.0 million), whereas net value reductions came to EUR 8.2 million (previous year: EUR 3.7 million).

Expenses for investment properties rose to EUR 15.0 million due to an increase in maintenance expenses (previous year: EUR 13.8 million). Personnel expenses rose slightly by EUR 0.1 million to EUR 3.7 million (previous year: EUR 3.6 million), whereas other operating expenses came in at EUR 1.8 million, as in the previous year (previous year: EUR 1.8 million). We partly attribute our efficient cost structure (in comparison to the rest of the sector) to the fact that our own employees manage our properties as well as to our systematic cost management in all other areas.

Depreciation and amortisation amounted to EUR 0.3 million (previous year: EUR 0.3 million) and mainly included scheduled depreciation on the owner-occupied office building of VIB Vermögen AG. After deducting depreciation and amortisation, we achieved earnings before interest and tax (EBIT) of EUR 87.0 million in the year under review (previous year: EUR 81.8 million). When adjusted for property-related valuation effects, EBIT improved by EUR 3.1 million to EUR 67.5 million (previous year: EUR 64.4 million).

Equity-accounted investments generated earnings of EUR 0.0 million (previous year: EUR 0.2 million). In the year under review, we posted interest income of around EUR 0.01 million (previous year: EUR 0.02 million). Due to a further reduction in the average borrowing rate, the item “Interest and similar expenses” fell sharply by EUR 1.8 million to EUR 15.6 million (previous year: EUR 17.4 million). The expenses from the guaranteed dividend paid to the shareholders of BBI Immobilien AG remained on a par with the previous year at EUR 0.2 million.

Our earnings before tax (EBT) improved by EUR 6.7 million in the year under review to EUR 71.2 million (previous year: EUR 64.5 million). When adjusted for valuation effects of EUR 19.5 million (previous year: EUR 17.4 million) and extraordinary items of EUR 0.0 million (previous year: EUR 0.0 million), EBT came in at EUR 51.7 million, which represents a sharp year-on-year rise of EUR 4.7 million (previous year: EUR 47.1 million). This strong result once again emphasises the excellent operating performance of the entire VIB Group.

Income taxes came in at EUR 11.3 million (previous year: EUR 10.5 million). EUR 5.0 million thereof was attributable to current taxes (previous year: EUR 4.4 million) and EUR 6.3 million thereof was attributable to deferred taxes (previous year: EUR 6.1 million). The income tax rate was 15.9% (previous year: 16.3%).

Consolidated net income improved to EUR 59.9 million and was therefore EUR 6.0 million up on the previous year (previous year: EUR 53.9 million). The undiluted and diluted earnings per share both stood at EUR 2.09 (previous year: EUR 1.87).

NET ASSETS

SELECTED INDICATORS OF NET ASSETS

IN EUR THOUSAND	**31/12/2018**	31/12/2017	Change
Total assets	1,234,908	1,153,741	+7.0%
Investment properties	1,182,548	1,096,724	+7.8%
Net debt (current and non-current financial liabilities less bank balances)	610,098	570,452	+6.9%
Equity	527,593	483,355	+9.2%
Equity ratio	42.7%	41.9%	+0.8 pt.

The total assets of the VIB Group rose by EUR 81.2 million compared with the previous year's balance sheet date to EUR 1,234.9 million (31/12/2017: EUR 1,153.7 million). Within this item, investment properties – i.e. properties, land and properties under construction – constituted the largest asset category at EUR 1,182.5 million (31/12/2017: EUR 1,096.7 million). Interests in associated companies climbed by EUR 0.9 million to EUR 6.2 million (31/12/2017: EUR 5.3 million).

Current assets stood at EUR 38.1 million as of December 31, 2018 (31/12/2017: EUR 43.4 million). Receivables and other assets amounted to EUR 6.0 million (31/12/2017: EUR 4.1 million) and comprise trade receivables in the amount of EUR 1.6 million (31/12/2017: EUR 1.4 million) and other assets in the amount of EUR 4.4 million (31/12/2017: EUR 2.7 million). Bank balances and cash in hand decreased from EUR 38.0 million to EUR 31.0 million.

As a result of the increase in net retained profits, equity climbed to EUR 527.6 million as of December 31, 2018 (31/12/2017: EUR 483.4 million). The equity ratio increased to 42.7% as of the balance sheet date (31/12/2017: 41.9%).

Subscribed share capital and the share premium account remained unchanged at EUR 27.6 million and EUR 191.2 million respectively. As part of the preparation of the annual financial statements (separate financial statements prepared according to the German Commercial Code [HGB]), EUR 9.7 million was added to retained earnings, causing this item to rise to EUR 75.8 million as of December 31, 2018 (31/12/2017: EUR 66.1 million).

Net retained profits rose by 17.4% to EUR 212.7 million as of the balance sheet date (31/12/2017: EUR 181.2 million). Two opposing effects, in particular, were at work here: on the one hand, the increased net profit for the period (attributable to Group shareholders) in 2018 of EUR 57.6 million (previous year: EUR 51.6 million) and, on the other hand, the dividend distribution to our shareholders of EUR 16.5 million (previous year: EUR 15.2 million). The balance sheet item "Non-controlling interests" increased from EUR 21.3 million to EUR 22.8 million.

Non-current liabilities stood at EUR 665.4 million as of December 31, 2018 (31/12/2017: EUR 640.1 million). The largest item was non-current financial liabilities (mainly bank loans to fund the property portfolio), which climbed by EUR 20.5 million to EUR 607.8 million (31/12/2017: EUR 587.3 million). The item "Derivative financial instruments" comprises interest rate swaps to manage the risk of bank loans taken out and fell year-on-year to EUR 2.9 million (31/12/2017: EUR 4.8 million).

Deferred tax liabilities result primarily from differing valuations between the IFRS and tax values of properties and rose to EUR 52.2 million as of the balance sheet date (31/12/2017: EUR 45.7 million). The year-on-year increase was mainly due to portfolio expansion in the form of new investments and positive adjustments to the values of investment properties.

Current liabilities increased from EUR 30.3 million to EUR 41.9 million, which was chiefly due to an increase in current financial liabilities and bank loans to EUR 33.3 million (31/12/2017: EUR 21.1 million). Other liabilities, primarily trade payables, fell slightly to EUR 7.1 million (31/12/2017: EUR 7.4 million).

The solid financial position of the VIB Group made it possible to once again fund a portion of pending investments through equity in 2018. Furthermore, we took out new loans in the year under review and repaid loans as planned when they became due. Not least due to the ongoing repayment of our annuity loans, the company's EPRA net asset value (EPRA NAV) rose significantly to EUR 559.9 million as of the balance sheet date (31/12/2017: EUR 512.5 million).

NET ASSET VALUE (NAV) – UNDILUTED

IN EUR THOUSAND	**31/12/2018**	31/12/2017
Investment properties	1,182,548	1,096,724
Other assets	8,042	8,298
Interests in associated companies	6,238	5,276
+/– other assets/equity and liabilities (including minority interests)	–26,781	–27,299
Net debt	–610,098	–570,452
NAV/net assets (undiluted)	**559,949**	**512,547**
Number of shares (balance sheet date)	27,579,779	27,579,779
NAV per share in EUR (undiluted)	**20.30**	**18.58**

NET ASSET VALUE (NAV) – DILUTED

IN EUR THOUSAND	**31/12/2018**	31/12/2017
NAV/net assets (undiluted)	559,949	512,547
NAV/net assets (diluted)	**559,949**	**512,547**
Number of shares (balance sheet date)	27,579,779	27,579,779
Number of shares (diluted)	27,579,779	27,579,779
NAV per share in EUR (diluted)	**20.30**	**18.58**

FINANCIAL POSITION

Our financial management includes the planning, coordination and monitoring of all measures designed to acquire funds (equity and debt financing) and deploy funds (investment, primarily in the expansion of our property portfolio). The primary aims of our financial management are to secure long-term financial stability and a strong cash flow. As of the balance sheet date, we had access – just as in the previous year – to undrawn credit and overdraft lines in the amount of EUR 12.4 million.

SELECTED INDICATORS OF FINANCIAL POSITION

IN EUR THOUSAND	**2018**	2017	Change
Cash flow from operating activities	60,727	59,416	+1,311
Cash flow from investment activities	–67,451	–21,748	–45,703
Cash flow from financing activities	–240	–38,806	+38,566
Cash and cash equivalents at end of period	31,015	37,979	–6,964

Cash inflow from operating activities came in at EUR 60.7 million in the year under review (previous year: EUR 59.4 million).

Cash outflow from investment activities amounted to EUR 67.4 million in the period under review, compared with EUR 21.7 million in the prior-year period. The sharp year-on-year rise is largely due to increased investment in the property portfolio.

A net cash outflow from financing activities of EUR 0.2 million was recorded (previous year: EUR 38.8 million). Within this item, the cash inflow from the taking out of bank loans stood at EUR 56.4 million (previous year: EUR 39.5 million) due to greater investment in the property portfolio, whereas EUR 17.4 million was paid out in dividends (previous year: EUR 15.9 million). Financing loan repayments were made in the amount of EUR 23.7 million, which was significantly less than in the previous year (EUR 45.1 million). Due to the further decline in average interest rates, interest payments on financial loans fell from EUR 17.4 million to EUR 15.6 million.

In total, cash and cash equivalents decreased by EUR 7.0 million to EUR 31.0 million as of December 31, 2018.

FUNDS FROM OPERATIONS (FFO) PER SHARE – INDICATOR OF THE PORTFOLIO'S EARNINGS STRENGTH

IN EUR THOUSAND	2018	2017
Earnings before interest and tax (EBIT)	**86,952**	**81,822**
adjusted for:		
Income/expenses (non-cash effective)	25	–43
Depreciation and amortisation	308	271
Changes in value for investment properties	–19,454	–17,380
	67,831	**64,670**
Interest and similar expenses	–15,597	–17,378
Other interest and similar income	8	23
Profit/loss on equity-accounted investments	3	152
Expenses from guaranteed dividends	–166	–166
	52,079	**47,301**
Effective tax expense	–5,038	–4,419
	47,041	**42,882**
Minority interest (adjusted for valuation gains/losses)	–1,743	–1,688
FFO in absolute terms	**45,298**	**41,194**
Average number of shares in fiscal year	27,579,779	27,579,779
FFO per share	**1.64 €**	**1.49 €**
Share price on the respective closing date	21.20 €	21.20 €
FFO yield on the respective closing date	**7.74%**	**7.03%**

FFO (funds from operations) – i.e. cash inflow from operating activities – rose from EUR 41.2 million to EUR 45.3 million in the year under review.

4. OVERALL STATEMENT ON THE COMPANY'S BUSINESS POSITION

Our earnings, assets and financial position have continued to develop strongly in 2018 in a stable macroeconomic environment. Alongside a further increase in revenue and a sharp rise in earnings, we met all forecasts published at the start of 2018. Apart from the solid financial position, the positive economic health of the company is also reflected in a strong equity ratio and further increases in FFO (funds from operations) and EPRA NAV (net asset value).

REPORT ON RISKS AND OPPORTUNITIES

RISK REPORT

ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The parent company of the VIB Group, VIB Vermögen AG, is classified as a large corporation pursuant to Section 267 of the German Commercial Code (HGB). Pursuant to Section 290 HGB, in conjunction with Section 293 HGB, VIB Vermögen AG is required to prepare consolidated financial statements. These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). It is the responsibility of the Managing Board to prepare the consolidated financial statements and the consolidated management report. This includes the setting up and maintenance of an accounting-related internal control and risk management system.

This system seeks to ensure timely and proper financial reporting in accordance with applicable statutory provisions. The accounting-related internal control and risk management system is incorporated within the company's control and risk management system.

The financial statements are prepared centrally by the Finance and Accounts department under the auspices of the Managing Board. This ensures a uniform and consistent approach when preparing the financial statements. The accounting data is processed using an accounting software program in accordance with a uniform chart of accounts and consistent accounting guidelines, as well as predefined processes and process checks.

The departments involved in the accounting process are fit for purpose, both in a quantitative and a qualitative sense. Any accounting data received or passed on is checked regularly to ensure that it is complete and correct. Automated plausibility checks are performed with the help of the software used. Accounting-related information is shared on an ongoing basis between the Head of Accounts and the Managing Board.

All key procedures and processes are carried out by people with appropriate professional qualifications. In order to identify and avert possible errors and deviations, the dual-control principle is applied to all key procedures and processes. This principle states that no single individual can be responsible for an important procedure or process.

Once the consolidated financial statements have been prepared and then audited by the appointed auditor, the consolidated financial statements and the management report are submitted to the Supervisory Board for review. This review takes place in consultation with the auditor. Once the review has been concluded, the Supervisory Board approves the consolidated financial statements.

INTERNAL CONTROL SYSTEM (ICS)

The aim of the ICS set up by the company is to safeguard the Group's assets and boost operating efficiency. In addition, the ICS seeks to ensure the reliability of accounting and reporting, as well as compliance with internal guidelines and legal requirements.

The ICS encompasses all principles, procedures and measures designed to ensure the effectiveness, efficiency and correctness of accounting and to ensure compliance with applicable statutory regulations. The control mechanisms of the ICS ensure that compliant financial statements are prepared that pay due regard to all risks identified and the reliability of accounting and reporting. The key objectives in respect of accounting processes are to identify and assess risks that could jeopardise the compliance of the consolidated financial statements with applicable regulations.

RISK MANAGEMENT SYSTEM (RMS)

The RMS in place at VIB Vermögen AG makes it possible to identify potential threats at an early stage across the Group. This ensures that the Managing Board is informed as soon as possible of the occurrence of a risk scenario, enabling it to take appropriate countermeasures.

Thanks to the use of IT systems with automated access control mechanisms and integrated plausibility checks, the RMS establishes a reliable control structure for the accounting process and ensures maximum data security at all times. Whenever compliance with statutory requirements and voluntarily imposed obligations cannot be ensured, external expertise is also included in the controls. Insofar as the recorded and assessed risks have a bearing on the consolidated financial statements in accordance with applicable accounting guidelines, they will be taken into consideration in the statements.

The effectiveness of the internal control mechanisms in place at VIB Vermögen AG is reviewed on a regular basis when preparing financial statements, and the controls are optimised as appropriate.

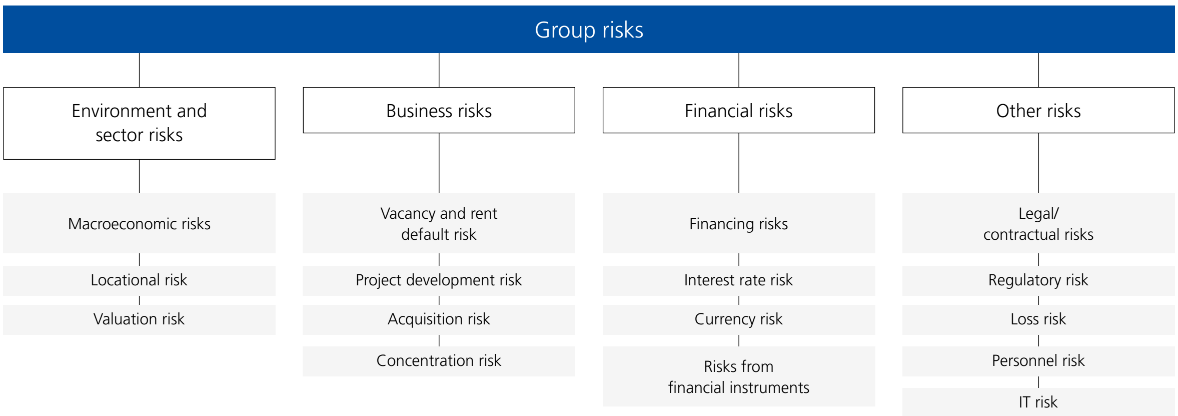
BASIC PRINCIPLES OF RISK MANAGEMENT

Our risk policy supports the objective of enhancing long-term company value through sustainable growth. For us, risk refers to the threat of potential losses or forgone profits, both of which can be triggered by both internal and external factors.

Risk management at VIB Vermögen AG forms an integral component of its business strategy, with the Managing Board directing risk policy. In order to identify, manage and counteract potential risks at an early stage, VIB has implemented an efficient risk management system that is closely integrated into the company's operating procedures and processes – especially controlling and planning processes, as well as reporting to the Managing and Supervisory Boards.

Risk reporting occurs on a regular basis – at least, however, twice a year. The Managing Board is also to be informed immediately in the form of unscheduled reports about all new risks categorised as material.

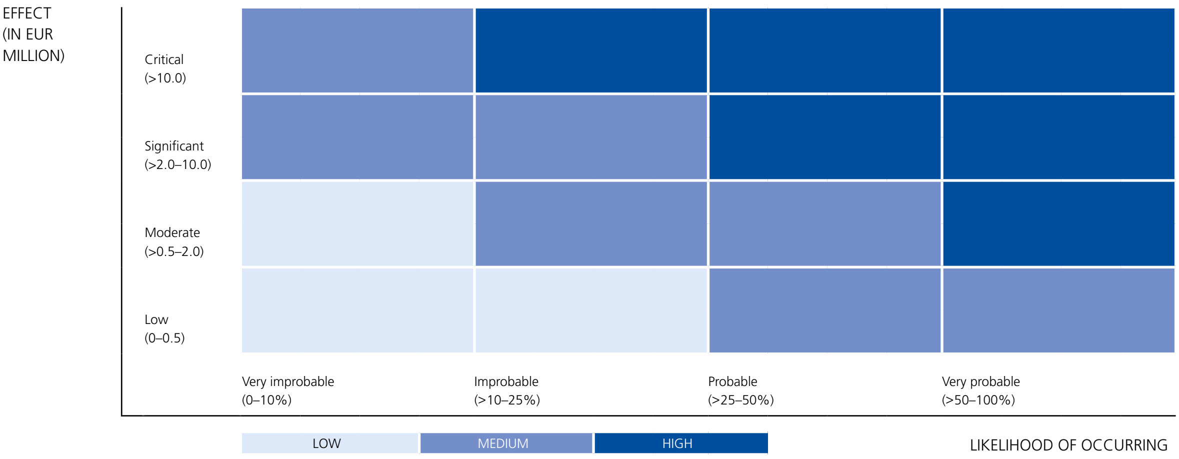
We classify potential risks into four categories that are also applied Group-wide at all subsidiaries.



Once specific risks have been identified and recorded, they are analysed and classified according to their potential loss level and event probability. This is intended to enable conclusions to be drawn about the specific risk potential for VIB (see risk matrix graph):

1. The likelihood of a risk occurring is divided into the classes of "very improbable", "improbable", "probable" and "very probable". These classes reflect the percentage probability with which a harmful event is expected to occur within a twelve-month period.
2. The potential effect (loss level) states the potential maximum extent of a loss given the occurrence of the harmful event. Here, differentiation is made between "low", "moderate", "significant" and "critical" loss extents.
3. Multiplication of the maximum loss level by the event probability generates the risk potential or weighted potential loss amount of the corresponding risk. Risk potential is classified into the three categories of "low", "moderate" and "high" within the VIB Group.

RISK MATRIX OF THE VIB GROUP



As a rule, specific risks within the VIB Group are quantified only if this is also deemed appropriate for internal risk management. On this basis, suitable measures to manage or avert identified risks are determined in close coordination with the Managing Board.

COMPANY RISKS

ENVIRONMENT AND SECTOR RISKS

MACROECONOMIC RISKS

Real estate markets in Germany are closely connected with macroeconomic and financial market trends. As far as the commercial property sector is concerned, a potential economic slowdown is accompanied by the risk that companies are less prepared to invest, which ultimately results in a heightened risk of vacant properties and falling rent levels.

However, this risk affects only a small proportion of the company's entire rental income given the fact that VIB rental agreements mostly have long terms. In order to minimise such risk, VIB Vermögen AG focuses on tenants with good credit ratings and on ensuring that its properties can be utilised for alternative purposes.

Should the macroeconomic and industry-specific trends deteriorate significantly, there is also a risk that the value of our real estate portfolio will decline. This risk, however, is mitigated by the strong regional focus of VIB Vermögen AG on investments in the economically strong southern German region, as well as balanced sector diversification.

Despite the current economic slowdown, we take the view that the macroeconomic risks on the property operations of VIB remain low (previous year: low).

LOCATION RISK

The quality of our property locations is affected by numerous factors that are beyond our sphere of influence, such as the state of transport infrastructure, the development of sales markets/purchasing power and the available supply of labour. Any deterioration in these factors could have negative implications on the value of the properties and the rental incomes they can generate. VIB counteracts any potential location risk by performing comprehensive due diligence ahead of any property acquisition or land purchase.

We gauge the risk of a general deterioration of the location quality of our properties as low, as in the previous year.

VALUATION RISK

An independent property valuation surveyor calculates the market value of all of the VIB Group's properties every year, applying the discounted cash flow (DCF) method. The extent to which the real estate portfolio retains its value depends on various factors, including infrastructure links and the overall condition of the property, the amount of rental income that can be generated and the remaining terms of rental agreements.

Adverse changes to these factors could negatively affect the value of the real estate portfolio and the results of the VIB Group's operations. We only see a limited risk in this regard, due to our sector diversification, our regional focus on the economically strong southern German region and our focus on development projects and property acquisitions in good locations.

For this reason, the risk of a substantial decrease in the value of our real estate portfolio is gauged as moderate, as in the previous year.

BUSINESS RISKS

VACANCY AND RENTAL DEFAULT RISK

As a long-term portfolio manager, we are subject to a certain rental default and vacancy risk. Rental defaults are possible, especially in a severe economic downturn and a resulting worsening of the outlook on the commercial property market. The risk also exists that, in the case of unforeseen rent default (such as due to insolvency), it proves impossible to quickly find a new tenant. In the case of short-term rental agreements, the risk also exists that such agreements cannot be extended, and that a new tenant cannot be found quickly. For us, this may be accompanied by temporary vacancies and an associated loss of rental income.

Given the fact that we focus on tenants with excellent credit ratings and the fact that our employees maintain very close ties to our tenants, we only see a low risk here. Rent receivables are monitored on an ongoing basis, and any rental arrears are processed by facilities management promptly in order to identify payment difficulties at an early juncture. Priority is also given to good alternative utilisation options when acquiring properties. This makes it easier to relet them if a tenant becomes insolvent.

Despite the current economic slowdown in Germany, we do not, as things stand, see any significantly heightened risk of increased vacancy rates and rental defaults. Taking into account the requisite countermeasures, VIB currently appraises the vacancy and rental default risk as low, as in the previous year.

PROJECT DEVELOPMENT RISK

As a property developer, we are subject to certain risks that arise from the acquisition of land and the subsequent construction of properties.

Plots for which planning permission has yet to be granted are also purchased in connection with development projects. The company could incur financial risks in the event of planning permission being refused. By virtue of our extensive experience and close working relationship with official agencies, however, we regard this risk as low.

Furthermore, there is a risk that forecast investment and development budgets could be exceeded. In turn, this could mean that VIB is unable to achieve the returns on development that were originally projected.

Delays in the completion of the properties cannot be ruled out as part of general construction risk. This would render it impossible to transfer properties to tenants on time. This could result in rent defaults, rent being paid late, and compensation claims.

On larger construction projects, we always work together with prestigious general contractors with strong credit ratings in order to minimise these project development risks. This largely ensures that properties are completed within planned time and cost parameters.

Due to the overall increase in project volume, we gauge potential risk from development projects as moderate (previous year: moderate).

ACQUISITION RISK

We are generally exposed to risk relating to the acquisition of properties and property companies. This may relate to a failure to uncover losses, hidden defects or other obligations that already existed when an asset was purchased. We counter such risk through comprehensive technical, financial and legal due diligence ahead of a transaction, including making recourse to external service providers such as architects, civil engineers, lawyers and tax consultants, where required.

Potential negative consequences for the VIB Group arising from such acquisition risk are currently evaluated as low, as in the previous year.

CONCENTRATION RISK

Our portfolio includes some tenants that rent several properties from us. This gives rise to a certain level of concentration risk for our business. In order to largely minimise the risk of a potential vacancy or rental default, we focus on tenants with good credit ratings and on long-term rental agreements.

VIB currently gauges the consequences of a potential concentration risk as low, as in the previous year.

FINANCIAL RISKS

FINANCING RISKS

In times of economic downturn, there is always a risk that banks may pursue a more restrictive lending policy, meaning that companies only have access to insufficient capital or are unable to access capital at all. For VIB, this could mean planned projects not being completed or being delayed, which would make it impossible to rule out corresponding negative effects on revenue and earnings.

Due to the strong equity base of VIB and a relationship with financing banks based on mutual trust over many years, we continue to deem a financing risk as low, as in the previous year.

INTEREST RATE RISK

An increase in the general interest rate level usually leads to a rise in interest rates for property financing projects. This could not only affect the conclusion of lending agreements for the financing of new properties, but also the agreement of new terms on existing loans after fixed-interest periods have expired.

In order to hedge as effectively as possible against short- and medium-term interest rate fluctuations, we mainly take out annuity loans, the overwhelming majority of which have a fixed-interest period of ten years, for the financing of real estate projects. Given the current low interest rate level, we also utilise loans with short-term interest agreements, such as those based on EURIBOR.

Despite the announcement of potential initial interest rate increases by the ECB, VIB does not anticipate any significant rise in interest expenses for the company in the 2019 fiscal year. The impacts of an interest rate risk on the earnings position of VIB are therefore assessed as low, as in the previous year.

CURRENCY RISK

Loans and credit granted to, and interests in, foreign subsidiaries are always subject to the risk of currency fluctuations. No significant foreign currency items existed at VIB Vermögen AG as of December 31, 2018.

We therefore currently appraise a currency risk as low, as in the previous year.

RISKS FROM FINANCIAL INSTRUMENTS

To safeguard interest rate conditions in the long term and improve the predictability of interest expenses, VIB has entered into interest rate swaps in respect of certain variable-rate loans. Together with the underlying transactions (bank loans), these interest rate swaps form a hedge (synthetic fixed-interest borrowings). Any potential interest rate changes – and the corresponding changes in the value of the swaps – have no impact on the company's income statement as long as the hedge is classed as effective.

As in the previous year, we currently evaluate risks from financial instruments as low.

OTHER RISKS

LEGAL AND CONTRACTUAL RISKS

VIB Vermögen AG is subject to general legal risks that could arise from new legislation and changes to the legal framework (e.g. the General Data Protection Regulation [GDPR]). Furthermore, the company could incur contractual risks related to the real estate business when entering into agreements with tenants, customers and other business partners (e.g. rental and purchase agreements, agreements with general contractors, service agreements, consultancy agreements, etc.). In order to minimise these risks, all agreements and legally relevant issues are checked internally and, if necessary, externally from a legal standpoint.

In addition to legal requirements, all employees of VIB are also bound by the Group-wide provisions set out in the Code of Conduct and the Anti-Corruption Guidelines. The aim is to ensure that VIB's dealings with business partners and other third parties are ethically irreproachable and legally compliant.

We currently appraise the legal and contractual risk as low, as in the previous year.

REGULATORY RISK

As a public stock corporation, VIB Vermögen AG is subject to a raft of laws and regulations in Germany, such as the German Stock Corporation Act (Aktiengesetz), the German Securities Trading Act (Wertpapierhandelsgesetz) and the German Commercial Code (Handelsgesetzbuch). Over the past few years, more and more measures have been taken at European Union level in order to improve investor protection and the regulation and supervision of the financial sector, including measures taken in light of the economic and financial crisis in 2008.

The new EU market abuse regulation (MAR) (Regulation No 596/2014 of the European Parliament and of the Council) came into force in 2016. For open-market issuers like VIB Vermögen AG, this means an extension of publication obligations and a beefing up of penalties in the event of breaches of this regulation. Through its subsidiary BBI Immobilien AG, which is listed on the regulated market in Munich, VIB already boasts in-depth knowledge of the capital market, especially in relation to the comprehensive regulations set out in the German Securities Trading Act (Wertpapierhandelsgesetz).

We also deal with many other capital market regulations and regulatory issues, such as the AIFM (Alternative Investment Fund Manager) Directive and MIFID II (Markets in Financial Instruments Directive), which came into force on January 3, 2018. All key issues are analysed and evaluated on a regular basis by the Managing Board and specialist departments, with appropriate measures to avert and reduce potential risks instigated where necessary. We also draw on the services of external specialists as required, who advise us on all relevant legal and regulatory issues.

We currently appraise a regulatory risk as low, as in the previous year.

RISK OF DAMAGE

Damage to, or complete destruction of, the company's properties constitutes a further – and potentially substantial – risk for the company. Under certain circumstances, this could have negative consequences for the company's earnings, assets and financial position.

We counter these risks through extensive insurance coverage. All-risks insurance polices have generally been taken out in respect of properties held by VIB. Alongside classic provisions such as protection against fire, storm and tap water damage, these policies also cover natural hazards such as flooding and weight of snow. This kind of insurance usually includes a rent default clause for the event that a property can temporarily not be let due to a claim and that VIB loses rental income as a result.

On May 15, 2017, a retail property owned by BBI, a subsidiary of VIB Vermögen AG, was completely destroyed by fire. Comprehensive insurance cover – with a sufficiently high coverage amount – is in place for the property concerned. Until the property is completely rebuilt and handed over to the tenant as planned in mid 2019, BBI will receive payments in lieu of rent from the insurer, meaning that no loss of earnings is expected for the company.

By reviewing the coverage amounts of the entire portfolio on a regular basis, including with the help of an external insurance appraiser, any potential risk of underinsurance is kept to a minimum at VIB.

VIB appraises potential negative consequences arising from unforeseeable and extraordinary loss events as low, as in the previous year.

PERSONNEL RISK

The skills, expertise and motivation of our staff are major factors behind the company's long-term success and profitability. The departure of top-performing individuals could result in a loss of know-how, with the recruitment and integration of replacement technical and managerial staff potentially exerting a negative impact on daily operating business. We counter such risk by developing the expertise of existing staff on a targeted basis in line with requirements, by boosting VIB's attractiveness as an employer, and through a strong management and corporate culture.

Overall, the personnel risk is regarded as low, as in the previous year.

IT RISK

All of the VIB Group's significant business processes are based on IT systems. A loss of the data stock or a protracted downtime of IT systems could negatively affect business processes. We continuously enhance our IT systems, including in cooperation with external service providers, in order to protect against such risk. Data of relevance to our business is backed up daily. In the event of a hardware or software failure, all data can be reproduced within a relatively short space of time.

IT risks have not changed significantly compared with the previous year. We continue to appraise such risk as low.

SUMMARY OF RISK SITUATION

Risk management at VIB is a continuous process that not only identifies new risks, but that also continuously analyses and measures existing risks in order to derive appropriate risk minimisation and risk prevention measures from them. The company's risk situation during the year under review has not changed significantly compared with the previous year. According to our appraisal, no risks are currently identifiable that could jeopardise the future of the company as a going concern.

OPPORTUNITIES REPORT

In addition to efficient risk management, the ability to harness opportunities as they present themselves is a vital factor in the commercial success of the VIB Group. With this in mind, it is important that opportunities are identified and evaluated as early as possible and that they are seized upon in accordance with the company's human and financial resources. VIB always aims for a balanced relationship between risks and opportunities in order to create long-term added value for all stakeholders.

The German economy has been growing continuously for several years, even though this growth cooled off slightly in the year under review. The logistics and retail industries – which are VIB's core areas of expertise – have also been exhibiting very pleasing growth for many years and are expected to grow further in the future. Alongside the economic outlook, the prospects on the commercial property market remain extremely positive. In particular, demand for logistics properties in Germany remains unwaveringly high, although this demand is not served sufficiently on the supply side. As a long-standing, specialist developer of bespoke logistics properties, we see an opportunity for continued sustainable and, above all, profitable growth in this area, especially in light of the fact that property acquisitions are currently very difficult on account of the high prices and limited supply and the fact that acquisitions currently offer less potential for returns. In order to achieve our planned development returns, we aim to continue benefiting from our in-house expertise, coupled with our extensive network that we have built up over many years (particularly in the economically strong region of southern Germany), when carrying out development projects.

A key pillar of our business model is the management of our property portfolio by in-house personnel of the VIB Group. As a result, we maintain very close contact with our tenants and can involve them at an early stage in issues surrounding invoices for incidental costs, necessary maintenance work and repair/renovation measures. As such, we not only boost the satisfaction of our tenants, but also foster their longer-term loyalty to the company. We also see an ongoing opportunity to achieve a high quality standard for our properties, as well as low vacancy rates and long remaining terms of rental agreements, by means of in-house management.

The VIB property portfolio now comprises more than 100 properties, with a total useful area of some 1.1 million sqm. There is further development potential in some free spaces on the sites of these properties, enabling the creation of new useful space by means of targeted redensification projects (i.e. the construction of new buildings and extensions). This offers VIB an opportunity to generate additional rental income without having to acquire new plots. As the plot is already available, the potential development returns are generally higher than the market average.

We regard a balanced financing mix as a further key pillar in terms of achieving our growth targets. On the one hand, the debt financing side plays a key role. By virtue of our extensive experience, we have built up very close ties to our financing banks. As a result of this fact, coupled with the continued favourable interest rate environment, we are able to agree extremely favourable terms on new financing arrangements, and the renewal of existing ones, for our property-related projects. Annuity loans with long-term fixed-interest periods of ten years represent our favoured financing method. However, promissory note loans or short-term variable loans based on EURIBOR are also deployed and serve to complement our debt capital mix.

As a company listed on the open market, we also harness the opportunities offered by equity financing. Thanks to proactive dialogue with the capital market and the high degree of transparency vis-à-vis our investors and analysts, we can, where necessary, draw on all forms of equity financing, such as mandatory convertible bonds and capital increases. And the development of our share price reflects the high demand for the VIB share. We have not only outperformed the DAX and SDAX comparative indices in a long-term comparison, but have also left the EPRA Germany property sector index trailing in our wake over the same period.

We see an opportunity to agree excellent terms – on both the borrowing and equity sides – for the financing of our company's future growth; in turn, this may have a positive impact on the company's earnings position.

SUMMARY OF THE OPPORTUNITIES REPORT

With its business model, VIB has established itself as a key player on the German commercial property market, especially in the logistics and light industry sector. The company possesses a sustainably grown property portfolio with a long average remaining rental agreement term of five years and four months and has had a low vacancy rate for many years. In addition, we benefit from efficient in-house management of our properties and a high degree of flexibility in terms of the funding of our growth, which sees us maximise the possibilities of both debt and equity financing.

We believe that VIB is in a strong position to successfully continue its strategy, which is geared towards sustainable and profitable growth, and thus identify and harness market opportunities as they present themselves in the future.

OUTLOOK

UNDERLYING ECONOMIC AND SECTOR-SPECIFIC CONDITIONS FOR 2019

According to forecasts issued by the International Monetary Fund (IMF), growth in the global economy will be weaker than in the previous year. It is also anticipated that economic growth will slow down in the European Union. Following an increase of 2.1% in the previous year, economic output is expected to grow by just 1.5% in 2019.

Germany is not immune to global uncertainties. As such, it is expected that the German economy will only generate growth of between 1.0% and 1.2% in 2019, primarily due to the unpredictable consequences of Brexit and trade conflicts. While growth in exports may well be weaker, domestic demand – particularly private consumer spending – will remain a driver of moderate growth.

Following a turbulent and volatile year on the financial and stock markets, an outlook for the year ahead remains challenging. The markets are being hampered by a mix of restrictive monetary policy and a weaker global economy. The key issue will be the development in interest rates on investments. Due to political uncertainties and the tense economic situation, there are currently no apparent indications that the European Central Bank (ECB) will significantly increase its base rate in the short and medium term.

Despite multiple uncertainties, the outlook regarding the development of the German property market remains positive according to real estate specialist Jones Lang LaSalle. Demand for properties is expected to remain high in 2019, chiefly due to a lack of profitable alternatives for investors. Provided that the German economy exhibits moderately positive growth, as expected, the transaction volume for commercial properties could be more or less on a par with the 2018 level.

EXPECTED TRENDS AND GROWTH FOR THE VIB GROUP IN 2019

Even though the German economy is currently losing a little momentum, our twelve-month planning still points to stable economic and sector-specific underlying conditions. In our main sector of logistics and light industry, in particular, we still believe that the right conditions are in place to achieve sustainable growth by means of needs-oriented in-house developments, targeted acquisitions and redensification projects on existing sites. As part of portfolio optimisation, VIB may also conclude selective property acquisitions in 2019, provided that such transactions are in keeping with our long-term corporate strategy.

Our revenue planning for 2019 was carried out on the basis of existing portfolio properties as of December 31, 2018 and properties that will be completed during the 2019 fiscal year. Furthermore, the revenue guidance does not include any property acquisitions/disposals. Based on these assumptions, we anticipate revenue of EUR 88.5 million to EUR 92.5 million for the 2019 fiscal year (2018: EUR 86.8 million).

When it comes to implementing our long-term corporate strategy, a competitive cost situation is just as essential as rising revenues. As in previous years, we rely on efficient management of our properties by in-house employees of the VIB Group. Firstly, this enables close ties with our tenants in a spirit of trust; secondly, we know exactly what condition our properties are in. As a result, we are able to meet our high quality standards in terms of our properties – and can plan and carry out any necessary modernisation and maintenance work. For 2019, we forecast EBT, excluding valuation effects and extraordinary items, of between EUR 52.0 million and EUR 54.5 million (2018: EUR 51.7 million). We also expect FFO to rise to between EUR 45.5 million and EUR 48.0 million in the current fiscal year (2018: EUR 45.3 million).

On the basis of the assumptions made, we anticipate a vacancy rate in the low single-digit percentage range for the 2019 fiscal year (31/12/2018: 0.7%). As we do not anticipate any significant interest rate rises in the medium term, we expect a further slight reduction in the average interest rate on our loan borrowings as of December 31, 2019 (31/12/2018: 2.33%).

Our employees make a vital contribution to the success of VIB. To enable us to carry on relying on a highly qualified and motivated workforce, we will once again ensure an attractive working environment, as well as needs-based training and professional development programmes, in the year ahead.

Our guidance for the current fiscal year aims to give as realistic a picture as possible of the anticipated course of business. The report on opportunities and risks contained within this Annual Report presents a separate account of all opportunities and risks extending above and beyond this corporate planning. A serious change to the macroeconomic conditions, the overall interest rates or the outlook on the commercial property market could affect our ability to meet our guidance.

Neuburg/Danube, April 25, 2019

Martin Pfandzelter
(Chief Executive Officer)

Holger Pilgenröther
(Chief Financial Officer)

CONSOLIDATED FINANCIAL STATEMENTS

DETAILED INDEX

CONSOLIDATED INCOME STATEMENT (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2018, TO DECEMBER 31, 2018

IN EUR THOUSAND	Note	**01/01–31/12/2018**	01/01–31/12/2017
Revenue	D.1	**86,789**	**83,550**
Other operating income	D.2	1,443	344
Total operating income		**88,232**	**83,894**
Changes in value for investment properties	D.3	19,454	17,380
Expenses for investment properties	D.4	–14,968	–13,775
Personnel expenses	D.5	–3,678	–3,621
Other operating expenses	D.6	–1,780	–1,785
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**87,260**	**82,093**
Depreciation and amortisation	D.7	–308	–271
Earnings before interest and tax (EBIT)		**86,952**	**81,822**
Profit/loss on equity accounted investments	D.8	3	152
Other interest and similar income	D.9	8	23
Interest and similar expenses	D.10	–15,597	–17,378
Expenses from guaranteed dividends	D.11	–166	–166
Earnings before tax (EBT)		**71,200**	**64,453**
Income tax	D.12	–11,305	–10,515
Consolidated net income		**59,895**	**53,938**
Group shareholders' share of earnings		57,610	51,604
Non-controlling shareholders' share of earnings	D.13	2,285	2,334
EARNINGS PER ORDINARY SHARE (IN EUR)			
Profit/loss on continuing operations	D.14	2.09	1.87
Undiluted earnings per share		**2.09**	**1.87**
DILUTED EARNINGS PER SHARE (IN EUR)			
Profit/loss on continuing operations	D.14	2.09	1.87
Diluted earnings per share		**2.09**	**1.87**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2018, TO DECEMBER 31, 2018

IN EUR THOUSAND	Note	**2018**	2017
Consolidated net income		**59,895**	**53,938**
Other income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Foreign currency effects from the translation of independent subsidiaries		–6	–53
Income tax effect		0	0
		–6	**–53**
Cash flow hedges – value changes to effective hedges		1,923	2,170
Income tax effect	D.21	–280	–316
		1,643	**1,854**
Other comprehensive income to be reclassified to the income statement in subsequent periods		**1,637**	**1,801**
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Actuarial gains/losses Pension plans		122	1
Income tax effect	D.21	–19	0
		103	**1**
Other comprehensive income not to be reclassified to the income statement in subsequent periods		**103**	**1**
Other comprehensive income after tax		**1,740**	**1,802**
Total comprehensive income after tax		**61,635**	**55,740**
Total comprehensive income attributable to:			
Group shareholders		59,310	53,356
Non-controlling shareholders		2,325	2,384

CONSOLIDATED BALANCE SHEET (IFRS)

AS OF DECEMBER 31, 2018

ASSETS

IN EUR THOUSAND	NOTE	**31/12/2018**	31/12/2017
Non-current assets			
Intangible assets	D.16	5	14
Property, plant and equipment	D.16	8,037	8,284
Investment properties	D.17	1,182,548	1,096,724
Interests in associated companies	D.18	6,238	5,276
Total non-current assets		**1,196,828**	**1,110,298**
Current assets			
Receivables and other assets	D.19	5,983	4,138
Bank balances and cash in hand	D.20	31,015	37,979
Prepayments and accrued income		1,082	1,326
Total current assets		**38,080**	**43,443**
Total assets		**1,234,908**	**1,153,741**

EQUITY AND LIABILITIES

IN EUR THOUSAND	ANHANG	31/12/2018	31/12/2017
Equity	D.21		
Subscribed share capital		27,580	27,580
Share premium account		191,218	191,218
Retained earnings		75,766	66,071
Cumulative earnings		212,680	181,208
Cash flow hedges		–2,387	–3,985
Foreign currency translation		–64	–58
Equity attributable to shareholders of the parent company		**504.793**	**462.034**
Non-controlling shareholders' share of earnings		22,800	21,321
Total equity		**527,593**	**483,355**
Non-current liabilities			
Financial liabilities	D.22	607,849	587,296
Derivative financial instruments	D.23	2,908	4,831
Deferred taxes	D.24	52,248	45,682
Pension provisions	D.25	2,363	2,288
Total non-current liabilities		**665,368**	**640,097**
Current liabilities			
Financial liabilities	D.26	33,264	21,135
Income tax liabilities	D.28	599	784
Liabilities to participating interests	D.29	827	827
Other liabilities	D.30	7,120	7,352
Accruals and deferred income		137	191
Total current liabilities		**41,947**	**30,289**
Total equity and liabilities		**1,234,908**	**1,153,741**

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2018, TO DECEMBER 31, 2018

IN EUR THOUSAND	**01/01–31/12/2018**	01/01–31/12/2017
A. Cash flow from operating activities		
Net income for the year (after tax)	59,895	53,938
+/– Net interest result	15,589	17,355
+/– Income tax expense	11,305	10,515
+/– Depreciation/appreciation on fixed assets	308	271
+/– Increase/decrease in provisions	75	279
+/– Fair value changes to investment properties	–19,454	–17,380
+/– Earnings attributable to associated companies	–3	–152
+/– Income taxes paid	–5,223	–4,064
Cash flow from operating activities after tax (before interest expense)	**62,492**	**60,762**
+/– Other non-cash expenses/income	122	–10
+/– Changes in inventories, receivables and other assets not attributable to investing activities	–1,601	325
+/– Change in liabilities not attributable to financing activities	–286	–1,661
Cash flow from operating activities (before interest expense)	**60,727**	**59,416**
B. Cash flow from investing activities		
– Outgoing payments for investments in property, plant and equipment	–52	–1,599
– Outgoing payments for investments in investment properties	–66,376	–29,652
– Outgoing payments for investments in financial fixed assets	–1,023	–941
+ Proceeds from the disposal of fixed assets and investment properties	0	10,444
Cash flow from investing activities	**–67,451**	**–21,748**
C. Cash flow from financing activities		

IN EUR THOUSAND	**01/01–31/12/2018**	01/01–31/12/2017
+ Proceeds from the drawing down of borrowings	56,430	39,500
– Payments to company owners and non-controlling shareholders (dividends)	–17,397	–15,912
– Outgoing payments for the redemption of borrowings	–23,748	–45,103
+/– Payments received from non-controlling shareholders	0	0
+ Interest received	8	23
+ Dividends received	64	64
– Interest paid	–15,597	–17,378
Cash flow from financing activities	**–240**	**–38,806**

D. Cash and cash equivalents at end of period		
Net change in cash and cash equivalents		
+/– Cash flow from operating activities	60,727	59,416
+/– Cash flow from investing activities	–67,451	–21,748
+/– Cash flow from financing activities	–240	–38,806
Change in cash flow	**–6,964**	**–1,138**
Cash and cash equivalents at start of period	37,979	39,117
Cash and cash equivalents at end of period	**31,015**	**37,979**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2018, TO DECEMBER 31, 2018

IN EUR THOUSAND
Balance 01/01/2018
Net income for the period
Other income
Total income
Transfers to retained earnings
Dividends paid
Balance 31/12/2018

FOR THE PERIOD FROM JANUARY 1, 2017, TO DECEMBER 31, 2017

Balance 01/01/2017
Net income for the period
Other income
Total income
Transfers to retained earnings
Dividends paid
Balance 31/12/2017

Subscribed share capital	Share premium account	Retained earnings	Cumulative earnings	Cash flow hedge reserve	Currency translation reserve	Equity attributable to shareholders of the parent company	Share attributable to non-controlling shareholders	**Consolidated equity**
27,580	**191,218**	**66,071**	**181.208**	**–3,985**	**–58**	**462,034**	**21,321**	**483,355**
0	0	0	57,610	0	0	57,610	2,285	59,895
0	0	0	105	1,598	–6	1,697	44	1,741
0	**0**	**0**	**57,715**	**1,598**	**–6**	**59,307**	**2,329**	**61,636**
0	0	9,695	–9,695	0	0	0	0	0
0	0	0	–16,548	0	0	–16,548	–850	–17,398
27,580	**191,218**	**75,766**	**212,680**	**–2,387**	**–64**	**504,793**	**22,800**	**527,593**
27,580	**191,218**	**60,261**	**150,582**	**–5,789**	**–5**	**423,847**	**19,680**	**443,527**
0	0	0	51,604	0	0	51,604	2,334	53,938
0	0	0	1	1,804	–53	1,752	50	1,802
0	**0**	**0**	**51,605**	**1,804**	**–53**	**53,356**	**2,384**	**55,740**
0	0	5,810	–5,810	0	0	0	0	0
0	0	0	–15,169	0	0	–15,169	–743	–15,912
27,580	**191,218**	**66,071**	**181,208**	**–3,985**	**–58**	**462,034**	**21,321**	**483,355**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2018 FINANCIAL YEAR

A. GENERAL INFORMATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

VIB Vermögen AG, Neuburg/Danube, Germany (also referred to below as "VIB AG" or "the company"), has its corporate seat at Tilly-Park 1, 86633 Neuburg/Danube, Germany, and is registered in the commercial register of Ingolstadt District Court with commercial register sheet number 101699.

The company's shares are traded in the m:access segment of the Regulated Unofficial Market of the Munich Stock Exchange, and through the Xetra trading system of Deutsche Börse AG, which is headquartered in Frankfurt.

The parent company of the VIB Group, VIB Vermögen AG, is classified as a large corporation pursuant 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 competencies are the purchasing, development and management of its own real estate assets 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-yielding portfolio of properties over the past few years, with investments focusing 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). The consolidated financial statements are prepared voluntarily according to the requirements of the IASB (Section 315e [3] of the German Commercial Code [HGB]), however.

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 Standards Interpretations Committee (IFRS IC).

These consolidated financial statements have been prepared in euros (EUR). All figures, unless otherwise stated, are presented in thousands of euros. Rounding differences may occur. The separate financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies. Carrying amounts based on tax regulations are not included in the consolidated financial statements. The separate 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 categorised according to the term structure of its respective assets and liabilities. Assets and liabilities are classified as being current if they can be realised or redeemed within one year. Trade receivables and trade payables, tax receivables and tax liabilities are generally 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 summarised to the extent that it is pertinent and possible to do so. These items are analysed in the notes to the consolidated financial statements and discussed accordingly.

Changes to accounting 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 policies had always been applied, unless a differing regulation exists 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 Standards Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC) which applied in the EU on December 31, 2018. 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 – IMPLEMENTED –

The company applied the following accounting regulations, which are of relevance for VIB Vermögen AG, for the first time in the fiscal year under review. None of the changes have a significant effect on the consolidated financial statements of the company.

In January 2016, the IASB published **amendments to IAS 12 Income Taxes** – Recognition of deferred tax assets for unrealised losses. The amendments provide clarity on the following points:

- If fixed-interest securities are measured at a fair value below the tax value due to a rise in the market interest rate, this results in a temporary difference;
- When estimating future taxable income, valuations of assets above their IFRS carrying amounts may be imputed if these valuations are probable;
- Assessments of the value of deferred tax assets should be based on the taxable income before the reversal of any deductible temporary differences. The only relevant taxable income is taxable income that can be offset against expenses/losses arising from the reversal of deductible temporary differences.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB published IFRS 15 Revenue from Contracts with Customers. IFRS 15 governs the instances in which revenues are to be recognised and, if so, in what amounts. Furthermore, preparing parties are required to provide the readers of financial statements with information that is more informative and relevant than before. The application of IFRS 15 is mandatory for all users and applies in respect of almost all contracts with customers. The key exemptions, however, are leasing contracts, financial instruments and insurance contracts. As a consequence, IFRS 15 replaces the standards previously relevant to the recognising of revenue (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31) and their relevant interpretations. Moreover, amendments to IFRS 15 were published in April 2016 that provide clarification and simplification during the transition to IFRS 15. The standard is to be applied for the first time for fiscal years commencing on or after January 1, 2018.

The standard sets out a single, principle-based five-step model that is to be applied to all contracts with customers. The first step in this five-step model is to identify the contract with the customer (step 1). Step 2 is to identify the performance obligations in the contract. Step 3 is to determine the transaction price, with the standard also stipulating explicit guidelines on handling variable consideration, financing components, payments to the customer and exchange transactions. Once the transaction price has been determined, this transaction price is then allocated to the individual performance obligations (step 4). This is done on the basis of the stand-alone selling prices for the individual performance obligations. The revenue can then be recognised (step 5) insofar as the performance obligations have been met by the company. To meet these obligations, it is necessary that control of the goods/services has been passed to the customer.

Whenever a contract is concluded, IFRS 15 stipulates a need to determine whether the revenue arising from the contract is to be recognised at a specific point in time or over a period of time. First of all, certain criteria need to be applied to clarify whether control in respect of the performance obligation is transferred over a period of time. If this is not the case, the revenue is to be recognised at the point in time at which control is passed to the customer. If, however, control is transferred over a period of time, the revenue may only be recognised over this period of time to the extent that performance progression can be reliably determined using input- or output-based methods.

Finally, the standard contains new and more comprehensive guidelines in respect of the disclosures to be made about the revenues in IFRS financial statements.

The Group has conducted a review of the possible implications of applying IFRS 15 on its consolidated financial statements.

The Group generates revenues from contracts with customers, within the meaning of IFRS 15, in “revenue from operating costs”.

VIB AG has arrived at the conclusion that there will be no significant deviations from current practice in respect of the recognition of rental revenue. The Group takes the view that presenting the revenue from operating costs as gross figures continues to be appropriate, as the Group – paying due regard to the standard and the criteria found in the relevant literature – has come to the conclusion that it continues to act as a principal rather than an agent. The revenues are to be recognised once control in respect of the corresponding services is passed to the customer, meaning that there are no significant deviations from current practice in terms of the point in time at which revenues are recorded. Taking into account the fact that IFRS 15 requires the transaction price to be allocated to individual performance obligations on the basis of the stand-alone selling prices, the Group is working on the assumption that this allocation will not differ from the breakdown previously deployed.

At the time of mandatory initial application of IFRS 15, the Group did not encounter any differences in respect of the amount or point of time of recognition of rental incomes. For this reason, there were no effects on the balance sheet items or equity of the Group as of January 1, 2018. There were also no effects on consolidated net income or consolidated comprehensive income. In respect of comparability with the figures of the prior-year period, the Group applies the modified retrospective method set out in IFRS 15.

IFRS 9

In July 2014, the IASB completed its project to replace IAS 39 Financial Instruments: Recognition and Measurement by publishing the final version of IFRS 9 Financial Instruments. IFRS 9 introduces a standardised approach to classifying and measuring financial assets. The standard makes recourse to cash flow characteristics and the business model according to which they are managed as its basis. It also includes a new impairment model based on anticipated credit defaults. In addition, IFRS 9 comprises new regulations relating to the application of hedge accounting in order to thereby better present an entity's risk management activities, especially concerning the management of non-financial risks. However, IFRS 9 does not currently replace the regulations on portfolio fair value hedges against interest rate risks. The part of the IFRS 9 project that originally dealt with this issue has been further pursued as a special project of the IASB agenda entitled "Macro Hedges", as more time is needed.

The effects of applying IFRS 9 to the consolidated financial statements depend on the financial instruments that the Group holds at the time of initial application, the economic conditions prevailing at this time, the choice of accounting methods and future discretionary decisions (please refer to Chapter D. note 37, "Categories of financial instruments").

The following areas of IFRS 9 were identified as being relevant to the company:

› Classification and measurement pursuant to IFRS 9
› The impairment model used in IFRS 9
› Hedge accounting

Taking into account its financial items as of December 31, 2018, the Group has determined that the classification and measurement regulations set out in IFRS 9 will not result in a significant initial application effect in respect of financial assets and liabilities. There are currently no financial assets that have previously been measured at amortised cost and that are now to be measured at fair value pursuant to IFRS 9.

The new expected-loss impairment model set out in IFRS 9 may lead to impairment being recognised earlier and being more volatile than in comparison with the incurred-loss model set out in IAS 39. The Group holds financial assets that are valued at amortised cost and that are subject to the expected-loss model of IFRS 9. The examination has shown that applying the IFRS 9 impairment model for financial assets will not lead to any significant adjustments compared to the previous impairment model.

The Group applies IFRS 9 retrospectively. As a result of the initial application of IFRS 9, financial instruments from the IAS 39 classification and measurement categories "Loans and receivables" and "Financial liabilities measured at amortised cost" were reclassified to the IFRS 9 category "Amortised cost" in the year under review.

In terms of hedge accounting, the company will continue to apply the regulations of IAS 39, as it is permitted to do. The Group currently only uses interest rate swaps to hedge interest rate risks. In the view of VIB AG, the existing hedges also meet the hedge accounting requirements of IFRS 9.

PUBLISHED ACCOUNTING ANNOUNCEMENTS – NOT YET IMPLEMENTED –

The IASB and the IFRIC have published the following promulgations which did not yet require mandatory application in the 2018 fiscal year, or whose endorsement by the European Union is still outstanding. VIB AG does not apply such accounting regulations until the time when application is mandatory. The following section presents only those new accounting principles which are expected to be applicable to the consolidated financial statements of VIB AG.

IFRS 16

In January 2016, the IASB published the IFRS 16 Leases accounting standard. IFRS 16 contains a comprehensive model for identifying leasing agreements and for lessor and lessee accounting. The key aspect of the new standard is that the lessee reports all leases and related rights and obligations on the balance sheet. Therefore, the difference between financing and operating leases required under IAS 17 will no longer apply for the lessee. As far as the lessor is concerned, however, the provisions of the new standard are similar to those of the previous one, IAS 17. Leases will continue to be classified as either finance or operating leases. Application of the new regulations is mandatory for fiscal years commencing on or after January 1, 2019. Voluntary application before this date is permitted, provided that IFRS 15 is also applied.

The Group has completed its review of the potential effects of IFRS 16 on the consolidated financial statements and has arrived at the following conclusion: As of December 31, 2018, the Group has payment obligations of EUR 79 thousand arising from non-terminable rental and leasing agreements (please refer to chapter D. note 34, "Leases").

In respect of financing leases where the Group is the lessor, it is not assumed that the application of IFRS 16 will have a significant effect on the consolidated financial statements.

OTHER ACCOUNTING STANDARDS

In June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments. This interpretation states that the tax treatment of certain circumstances and transactions may depend on future recognition by the tax authorities or fiscal courts. Whilst IAS 12 Income Taxes governs how current and deferred taxes are to be recognised, IFRIC 23 supplements the provisions of IAS 12 in terms of considering uncertainties in the income tax treatment of circumstances and transactions. These amendments are to be applied for fiscal years commencing on or after January 1, 2019. There is currently no review of potential effects on the VIB Group.

In February 2018, the IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). If a plan amendment, curtailment or settlement occurs to a defined-benefit plan, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the current actuarial assumptions used for the required remeasurement of the net liability (asset). In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. These amendments are to be applied for fiscal years commencing on or after January 1, 2019. There is currently no review of potential effects on the VIB Group.

There were further amendments to accounting standards, but these will have no effect on the asset, financial and earnings position of the VIB AG Group.

C. GROUP OF CONSOLIDATED COMPANIES AND ACCOUNTING POLICIES

The consolidated financial statements are prepared using the going concern principle.

The VIB Group's group of consolidated companies includes VIB Vermögen AG and the subsidiaries over which VIB AG can either directly or indirectly exercise control. Control is deemed to exist when the Group bears a risk from, or has entitlements to, fluctuating returns on the basis of its participating interest and it is able to exercise its discretionary power over the subsidiary in order to influence these returns. In particular, the Group has control over a subsidiary when, and only when, it exhibits all of the following characteristics:

a) Discretionary power over the subsidiary (i.e. the Group has, on the basis of existing rights, the ability to steer those activities of the subsidiary that have a material impact on the returns of the subsidiary,
b) a bearing of risk, or entitlements to, fluctuating returns arising from its participating interest in the subsidiary,
c) the ability to exercise its discretionary power over the subsidiary in such a way that it influences the returns of the subsidiary.

Subsidiaries are consolidated in accordance with IFRS 10 Consolidated Financial Statements and IFRS 3 Business Combinations. The carrying amount of the participation is offset against the subsidiary's remeasured equity on the acquisition date. All business combinations are accounted for using the acquisition method. Acquisition costs correspond to the fair value of the assets rendered, the equity instruments issued, and the debts resulting or assumed on the transaction date (acquisition date). On initial consolidation, assets, liabilities and contingent liabilities that are identified as part of a business combination are measured at their fair value on the date of acquisition. Goodwill is recognised if the acquisition costs for the acquisition of interests in subsidiaries exceed the proportion of the fair value of the net assets that is attributable 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 for correctness, the difference is recognised directly in profit or loss (other operating income). The interests of non-controlling shareholders in Group subsidiaries are carried at the fair value of the assets and liabilities recognised in equity equivalent to the amount due to non-controlling interests.

Expenses and earnings relating to subsidiaries acquired or disposed of during the course of a year are included in the consolidated income statement from the time the control option begins or ends. Intra-Group transactions, balances and unrealised gains from intra-Group transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates a value impairment of the transferred asset.

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

The separate financial statements of the companies included in the consolidated financial statements are prepared using uniform accounting policies. The key accounting policies that were applied when preparing these consolidated financial statements are discussed below.

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.

FAIR VALUE MEASUREMENT

On each balance sheet date, the Group measures certain financial instruments (e.g. derivatives) and certain non-financial assets (e.g. investment properties) at fair value. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants at the measurement date. When measuring fair value, it is assumed that the business transaction as part of which the sale of the asset or transfer of the liability occurs either

(a) takes place on the principal market for the asset or liability or
(b) on the most favourable market for the asset/liability if no principal market exists.

The Group must have access to the principal or most favourable market.

The fair value of an asset or liability is measured on the basis of the assumptions that market participants apply as the basis to price the asset or liability. In this context, it is assumed that the market participants operate in their best economic interests.

When measuring the fair value of non-financial assets, the ability of the market participant is taken into account to generate economic benefit through the highest and best use of the asset, or through its sale to another market participant that finds the highest and best use for the asset.

The Group applies valuation techniques that are appropriate under the respective circumstances, and for which sufficient data to measure fair value is available. Both observable and non-observable inputs are utilised in this context.

All assets and liabilities for which fair value is determined or reported in the financial statements are allocated to the fair value hierarchy described below, based on the inputs for the lowest level which is significant for fair value measurement overall:

Level 1 – Listed (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – Measurement procedure where the input parameters of the lowest level that is significant for fair value measurement overall cannot be observed directly or indirectly on the market.

Level 3 – Measurement procedure where the input parameters of the lowest level that is significant for fair value measurement overall cannot be observed on the market.

In the case of assets and liabilities that are recurrently reported in the financial statements, the Group determines whether regroupings between the hierarchy levels have occurred by reviewing the classification at the end of each reporting period (based on the input for the lowest level which is significant for fair value measurement overall).

Together with the Managing Board, the staff who are chiefly responsible for Group financial accounting determine the guidelines and procedures for recurring (e.g. investment properties) and non-recurring (e.g. non-current assets classified as held for sale) fair value measurement.

An external surveyor is contracted to value the real estate portfolio. The related decision in this context is made annually by the Managing Board. Market knowledge, reputation, independence, expertise and compliance with professional standards are the main criteria that are applied to select the surveyor. Following discussions with the external surveyor, the relevant managerial staff who are responsible for real estate valuation and the managers who are responsible for the properties decide which valuation techniques and inputs are to be applied in each specific case. On each balance sheet date, the managerial staff who are responsible for real estate valuation analyse the value changes of assets and liabilities that must be remeasured or reappraised pursuant to Group financial accounting policies. This entails reconciling the significant inputs that are applied in the valuation with contracts and other relevant documents. Fair value changes for each property are reviewed together with the surveyor, and any changes are investigated as to their plausibility.

In order to comply with fair value disclosure requirements, the Group has determined groups of assets and liabilities based on their type, characteristics and risk, as well as levels in the aforementioned fair value hierarchy.

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 a participating interest exists of between 20% and 50%.

In line with IAS 28.10, interests in associated companies are accounted for applying the equity method. In the first stage, the participating interest is capitalised at cost. In line with IFRS 3, differences from first-time consolidation are treated according to full consolidation rules. 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 recognised directly in profit or loss as other operating income after a review of the purchase price allocation.

The Group's share of the profits and losses of associates are reported from the date of the acquisition or change of status in the financial result in the income statement, and the share of changes to equity directly under equity. Dividends paid by associated companies reduce their carrying amounts.

As of December 31, 2018, the following companies were carried as associates according to the equity method:

- BHB Brauholding Bayern-Mitte AG (34.2% interest)
- KHI Immobilien GmbH (41.7% interest)

The associates' balance sheet dates harmonise with the balance sheet date of the VIB Group.

ASSETS HELD FOR SALE

Non-current assets are reclassified as assets held for sale if the related carrying amount is to be realised predominantly through a disposal transaction rather than through continued utilisation. For this to be the case, it must be possible to sell the asset immediately in its current condition on terms that are current and normal for the disposal of such assets, and such a disposal must be highly probable. Non-current assets and disposal groups categorised as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal if the measurement rules of IFRS 5 are applicable to the items presented in the disposal group.

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 utilised for segmentation.

According to IFRS 8.5, a business segment is a distinguishable component of an entity that reports 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 Real Estate Assets" – in the year under review. The Group represents a so-called "one segment company" in this context. The company has refrained from segment reporting for this reason.

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 recognised if a corresponding agreement and convincing verification that the service has been provided exist, the amount of revenues can be identified reliably, and it can be assumed that it will be possible to collect the receivable.

The VIB AG Group has concluded leasing agreements for the commercial letting of its investment properties. In light of the terms of such contracts, including the fact that the leasing term does not constitute the majority of the useful commercial life of a property, the Group has determined that all material opportunities and risks associated with the let properties remain with the Group. The Group therefore recognises these contracts as operating leases. Revenue from operating leases is recorded on a straight-line basis over the term of the lease and, due to its operational nature, recognised in revenue. The land taxes and insurance premiums charged within ancillary costs do not represent performance obligations in their own right and are assigned to rents accordingly.

Interest income is accrued taking into account the amount of the extended loan outstanding and the applicable interest rate (effective interest rate). The applicable effective interest rate is the interest rate that is utilised 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 reported when the legal claim to payment arises.

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

INCOME TAX

Income taxes constitute the total of current tax expenses and deferred tax.

The Group identifies current tax expenses based on the taxable income of the companies included as subsidiaries in the consolidated financial statements. Taxable income differs from the net income derived from the income statement, as it excludes income and expenses that will subsequently, or never, be taxable or tax-deductible due to tax regulations (including deferrals). Current tax liabilities for the Group companies are calculated based on the tax rates that 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 deductible temporary differences and tax losses carried forward that can be utilised in the future are reported to the extent that it is probable that sufficient future taxable surpluses will be available for which the deductible temporary differences can be utilised. No deferred taxes are formed for temporary differences from the recognition of goodwill, or from the first-time recognition of other assets or liabilities (unless this formed part of a business combination or a transaction which impacts either taxable income or net income).

Deferred tax assets and deferred tax liabilities are offset if they relate to the same tax authority.

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

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

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

Deferred tax liabilities that result from temporary differences connected with interests in subsidiaries and associates (outside basis differences) 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 (LICENCES, INCLUDING SOFTWARE)

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. Impairment charges are applied to intangible assets if their recoverable amount is less than their amortised cost on the balance sheet date. They are reversed if the reasons for impairment in previous years no longer apply.

PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment is depreciated straight-line or according to the anticipated course of the future utilisation of the equipment. In the case of straight-line depreciation, costs are depreciated as follows over the anticipated useful life of the assets:

- Business premises (own) 30–35 years
- Other property, plant and equipment 3–12 years

The residual carrying amounts, economic useful lives, depreciation methods and residual useful lives are reviewed on each balance sheet date and adjusted as necessary. If the carrying amount of an asset exceeds its estimated recoverable amount (which is the higher of its fair value less costs of disposal and its value-in-use), it is immediately written down to its 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 profit or loss.

INVESTMENT PROPERTIES

Due to the company's business activities, all properties let to third parties are treated as investment properties pursuant to IAS 40. Investment properties are initially measured at cost. Any government 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 pursuant to IAS 20. Subsequent measurement is at fair value through profit or loss, whereby fair value is reduced to reflect incidental purchase costs for a potential, typical purchaser.

The fair values were measured by an independent valuation surveyor (Landestreuhand Weihenstephan GmbH Wirtschaftsprüfungsgesellschaft, Freising). The valuation surveyor generally applied the discounted cash flow method to identify the fair values.

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

- expected gross rent
- expected loss of rent from vacant units
- management costs (operating and management costs as well as ground rent not allocable to tenants)
- default risk with regards to rents and assessments
- maintenance expenses
- discount and capitalisation rates

Gross rents include contractual rents and customary rents for short-term vacancies. The capitalisation and discount rates are calculated and categorised individually for each property (please refer to Chapter D. note 17, "Investment property").

The transaction costs for a potential, typical purchaser are reflected through a discount from present value.

Please see note 17 in Chapter D for more information about the discounted cash flow method and the inputs applied.

Land under development/property under construction is also reported as investment property. Fair value generally applies for valuation in accordance with IAS 40. In addition to other parameters, this includes rental income from current tenancies and appropriate and reasonable assumptions that correspond to what would be agreed between knowledgeable, willing parties for rental income generated from future tenancies according to current market conditions.

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

As a result of factors including the early development phase of the properties, the VIB Group was unable to reliably measure the fair value of investment properties under construction. As of December 31, 2018, these were consequently measured at cost in line with IAS 16.

LEASES

A determination as to whether an agreement constitutes or contains a lease is made on the basis of the commercial content of the agreement at the time at which the agreement is concluded. An agreement constitutes or contains a lease if its performance depends on the use of a specific asset (or specific assets) and it transfers a right to use the asset(s), even if the agreement does not expressly specify the asset(s) concerned.

THE VIB AG GROUP AS THE LESSEE

Leases are classified as either financing or operating leases at the time at which the contract is concluded. It is classified as a financing lease if all significant risks and opportunities associated with ownership are transferred to the Group. In respect of financing leases, an asset value and a debt are determined at the start of the term, either in the amount of the fair value of the leased object as of the start of the leasing term or in the amount of the present value of the minimum lease payments, whichever is lower. Lease payments are divided into financing costs and the repayment portion of the residual debt, resulting in a constant interest rate on the remaining lease liability. The interest portion is recognised in the financial result on the income statement. Leased objects are subject to scheduled depreciation over the useful commercial life of the asset concerned. If, however, it is not sufficiently certain that ownership of the asset will be transferred to the Group at the end of the lease term, the leased object will be depreciated in full, either over its expected useful life or the term of the lease, whichever is shorter.

An operating lease is any lease that is not a financing lease. Lease payments for operating leases are recognised as operating expenses in the income statement on a straight-line basis over the term of the lease.

THE VIB AG GROUP AS THE LESSOR

Leases in which not all significant opportunities and risks associated with ownership are transferred from the Group to the lessee are classed as operating leases. Resulting rental income is recorded on a straight-line basis over the term of the lease and, due to its operational nature, recognised in revenue. Initial direct costs incurred during the negotiation and conclusion of operating leases are added to the carrying amount of the leased object and recognised as expenses over the term of the lease, in the same way as leasing revenue. Conditional rental payments are recognised as earnings in the period in which they are generated.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that results in a financial asset for one company and in a financial liability/equity instrument for another company.

The company will be applying IFRS 9 for the first time for the financial year beginning on January 1, 2018, and making use of the option to present comparative information pursuant to IAS 39.

Pursuant to IAS 39, financial instruments are broken down into the following categories:

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

In the previous year, the category “Loans and receivables” played the most significant role for the Group. Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Loans and receivables arise when the Group directly provides money, goods or services to a debtor without the intention of selling such receivables on. 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 included in the “receivables and other assets” item on the balance sheet.

With the exception of financial assets measured at fair value through profit or loss, financial assets were investigated for indications of impairment on each reporting date. Financial assets were deemed to be impaired if, as a consequence of one or several events occurring after initial recognition of the asset, an objective indication existed that the expected future cash flows from the financial instrument had suffered a negative change.

In the case of equity instruments which are classified as available-for-sale financial assets, any major or sustained downturn in the fair value to below the acquisition costs of these financial instruments is taken into account when determining the extent to which the equity instruments are impaired.

In the case of all other financial assets, objective indications of impairment can exist as follows:

- Significant financial difficulties on the part of the counterparty
- Payment defaults or delays above and beyond the debtor’s average credit duration
- Default or delay in interest or redemption payments
- Increased probability that the borrower will enter bankruptcy or other financial reorganisation

In the case of assets measured at amortised cost, the impairment loss corresponds to the difference between the asset’s carrying amount and the present value of the expected future cash flows calculated applying the financial asset’s original effective interest rate.

Impairment results in the direct application of an impairment loss to the carrying amount of the respective financial asset, with the exception of trade receivables whose carrying amounts are reduced through a valuation account. If a trade receivable to which a valuation allowance has been applied is deemed to be uncollectible, consumption is recognised against the valuation account. Subsequent receipts relating to amounts that have already been written down are also recorded against the valuation account.

If the level of impairment of a financial asset measured at amortised cost reduces in a subsequent fiscal year, and if such a reduction can be attributed objectively to an event that occurs after recognition of the impairment, the previously recognised impairment is reversed in profit or loss. A reversal of an impairment loss may nevertheless not exceed the amount that would have arisen given continued amortisation of costs without any impairment.

Since the start of the financial year commencing on January 1, 2018, application of the following IFRS 9 regulations for financial instruments has been mandatory.

FINANCIAL ASSETS

FIRST-TIME RECOGNITION AND MEASUREMENT

At the point of first-time recognition, financial assets are assigned to one of the following categories for subsequent measurement: measurement at amortised cost, measurement at fair value directly through other comprehensive income or measurement at fair value through profit or loss.

The classification given to financial assets at the point of first-time recognition depends on the attributes of the contractual cash flows relating to the financial assets and on the business model applied by the Group to manage its financial assets. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group measures financial assets at fair value and, in the case of a financial asset that is not measured at fair value through profit or loss, adds transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined in accordance with IFRS 15.

To ensure that a financial asset can be classified and measured at amortised cost or at fair value through other comprehensive income, the cash flows must comprise solely payments of principal and interest (SPPI) on the outstanding capital amount. This is referred to as the "SPPI test" and is carried out at the level of individual financial instruments.

The business model applied by the Group to manage its financial assets reflects how a company manages its financial assets in order to generate cash flows. Depending on the business model, the cash flows are generated by means of the collection of contractual cash flows, the sale of financial assets or both.

SUBSEQUENT MEASUREMENT

The Group solely holds financial instruments in the category "financial assets measured at amortised cost (debt instruments)", for which the following conditions have been met:

› The financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows and
› the contractual terms of the financial asset lead to cash flows at fixed points in time, with these cash flows solely payments of principal and interest on the outstanding capital amount.

Financial assets measured at amortised cost are measured using the effective interest rate method in subsequent periods and are to be investigated for impairments. Gains and losses are recognised in profit or loss if the asset is derecognised, modified or impaired.

The Group's financial assets measured at amortised cost contain trade receivables as well as other assets that primarily include insurance compensation.

DERECOGNITION

A financial asset (or a portion of a financial asset or a portion of a group of similar financial assets) is mainly derecognised (i.e. removed from the consolidated balance sheet) when the contractual rights relating to cash flows from the financial asset have expired.

IMPAIRMENT OF FINANCIAL ASSETS

For all debt instruments that are not measured at fair value through profit or loss, the Group recognises an impairment for expected credit losses (ECL). Expected credit losses are based on the difference between the contractual cash flows payable under the terms of the contract and the total cash flows that the Group expects to receive, discounted using a value approximate to the original effective interest rate. The expected cash flows include the cash flows from the sale of held securities or other credit sureties that are a significant component of the contractual terms.

Expected credit losses are recorded in a two-step process. In respect of financial instruments whose default risk has not increased significantly since first-time recognition, a risk provision is recognised in the amount of the expected credit losses based on a default event within the next twelve months (12-month ECL). In respect of financial instruments whose default risk has increased significantly since first-time recognition, entities are required to recognise a risk provision in the amount of the expected credit losses over the remaining term, irrespective of when the default event occurs (full-term ECL).

In respect of trade receivables and contract assets, the Group applies a simplified method to calculate expected credit losses. Therefore, it does not track the changes in the credit risk, but rather recognises a risk provision as of every balance sheet date on the basis of the full-term ECL. The Group has compiled an impairment matrix based on its prior experience of credit losses. This matrix has been adjusted to reflect forward-looking factors that are specific to individual borrowers and the underlying economic conditions.

The Group assumes that the counterparty has defaulted on a financial asset when contractually agreed payments are 90 days overdue. The Group may also assume default when internal or external information indicates that it is unlikely that the Group will receive the outstanding contractual amounts in full before all credit sureties held by the Group have been accounted for. A financial asset is written off when there is no legitimate expectation that the contractual cash flows will be realised.

FINANCIAL LIABILITIES

FIRST-TIME RECOGNITION AND MEASUREMENT

At the point of first-time recognition, financial liabilities are assigned to one of the following categories: financial liabilities measured at fair value through profit or loss, liabilities, or derivatives designated as hedging instruments and effective as such. All financial liabilities are measured at fair value at the point of initial recognition; in the case of loans and liabilities, the directly attributable transaction costs are deducted.

The Group’s financial liabilities comprise trade payables and other liabilities, loans including overdrafts, and derivative financial instruments.

SUBSEQUENT MEASUREMENT

The subsequent measurement of financial liabilities depends on their classification.

LIABILITIES

The category "liabilities" has the greatest significance for the consolidated financial statements. Following initial recognition, interest-bearing loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss if the liabilities are derecognised (the same applies in relation to amortisation using the effective interest rate method).

The calculation of amortised cost takes into account any premium or discount at the time of acquisition, as well as any fees or costs that constitute an integral component of the effective interest rate.

Amortisation using the effective interest rate method is included within financing expenses in the income statement.

Interest-bearing loans usually fall within this category.

DERECOGNITION

A financial liability is derecognised if the underlying obligation is fulfilled or lifted, or if it expires. If an existing financial liability is replaced with another financial liability to the same lender, with substantially different contractual terms, or if the terms of an existing liability are changed significantly, a replacement or change of this kind will be treated as derecognition of the original liability and recognition of a new liability. The difference between the carrying amounts of the two liabilities will be recognised in profit or loss.

DERIVATIVE FINANCIAL INSTRUMENTS AND THE ACCOUNTING TREATMENT OF HEDGES

FIRST-TIME RECOGNITION AND SUBSEQUENT MEASUREMENT

In the past, the Group has concluded interest rate swaps to hedge against interest rate risks (cash flow hedges). These derivative financial instruments are recognised at fair value on their contract dates and remeasured at fair value in subsequent periods. Derivative financial instruments are recognised as financial assets if their fair value is positive, and as financial liabilities if their fair value is negative.

At the start of the hedge, both the hedge itself and the Group's risk management objectives and strategies in terms of the hedge are formally recorded and documented.

The effective portion of the gain or loss from a hedging instrument is recorded in the cash flow hedge reserve within other comprehensive income, whereas the non-effective portion is immediately recognised through profit or loss. The cash flow hedge reserve is adjusted to either the cumulative gain or loss from the hedging instrument since the start of the hedge or the cumulative change in the fair value of the hedged underlying transaction, whichever is lower.

The cumulative amount recorded in other comprehensive income is reclassified to the income statement as a reclassification adjustment in the period(s) in which the hedged cash flows affect profit or loss for the period.

BANK BALANCES AND CASH IN HAND

Bank balances and cash in hand include cash, demand deposits, other current highly liquid financial assets with an original maximum term 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.

EQUITY

The ordinary shares of VIB Vermögen AG are categorised 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 account, retained earnings, the Group's profit carried forward, the cash flow hedge reserve and the interests of non-controlling shareholders are also allocated to equity.

PROVISIONS

Provisions are formed according to IAS 37 if a legal or constructive obligation to third parties exists 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 settle 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 such obligations result from past transactions. Expenses for the formation of provisions are disclosed in the income statement. If an outflow of funds is to be expected only after more than one year, the provisions are discounted applying a pre-tax interest rate. In the event of discounting, the increase in the provisions over time is carried as interest expense.

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 carried directly to other comprehensive income, taking into account deferred tax. The service cost contained in the pension expense is reported under personnel expenses, and the interest portion is carried through the income statement under interest and similar expenses.

FOREIGN CURRENCIES

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The consolidated financial statements are prepared in euros, the parent company's functional currency.

The functional currency of a Group company is the currency of the primary economic environment in which the company operates. Each company prepares its separate financial statements in the functional currency. This is the euro for all of the companies with the exception of RV Technik s.r.o., CZ.

Assets (including goodwill and hidden reserves disclosed 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 at the rate prevailing on the balance sheet date, while income and expenses are translated applying the average rate of exchange. VIB Vermögen AG takes translation differences directly to equity.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated to the functional currency applying the exchange rate on the transaction date. 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 reported in the income statement.

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 arise 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 and includes interest rate, market, credit and liquidity risks. Principles and guidelines for other areas, such as liquidity management and the procurement of short- and long-term loans, also exist.

Financial risk management aims to guard against, to the extent necessary, the various risks detailed above and consequently to limit the negative impact on the Group's profit and loss and balance sheet. Taking into account the principle of functional separation, the financial risks to which the Group is exposed are measured, monitored and actively controlled on an ongoing basis applying various measures.

VALUATION UNCERTAINTIES, ASSUMPTIONS, ESTIMATION UNCERTAINTIES

Assumptions must be made when applying the accounting and valuation methods. The most important forward-looking assumptions and other key sources of estimation uncertainties which exist on the balance sheet date – as a result of which a risk exists that could necessitate an adjustment to the carrying amounts of assets and liabilities 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 impairments for property, plant and equipment, intangible assets and financial assets. At VIB Vermögen AG, this applies in particular to the valuation of investment properties, and also to financial instruments and derivatives.
- Valuation allowances 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 utilised.
- Discount factors and anticipated developments are the key estimates made in accounting for, and measuring, pension provisions and current provisions.
- 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, it is currently expected that no significant negative impact will arise for the Group's results of operations that goes beyond the risks taken into account as liabilities or provisions in the financial statements.

The best possible information about circumstances prevailing on the balance sheet date is generally utilised for such valuation uncertainties. The actual amounts that result may differ from the estimated amounts. The carrying amounts disclosed in the financial statements that are subject to such 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 were to be assumed. As things stand, no notable adjustments to the assumptions and estimates or the carrying amounts of the affected assets and liabilities are therefore to be expected in the 2019 fiscal year.

INFORMATION ABOUT SUBSIDIARIES

As of December 31, 2018, 12 (previous year: 12) companies were included in the consolidated financial statements of VIB Vermögen AG alongside the parent company.

Companies included in the consolidated financial statements as of December 31, 2018:

Company	Headquarters	Voting rights and equity interest (%)	
		31/12/18	31/12/17
Merkur GmbH	Neuburg/Danube	100.00	100.00
RV Technik s.r.o., CZ	Pilsen (Czech Republic)	100.00	100.00
VIMA Grundverkehr GmbH	Neuburg/Danube	100.00	100.00
KIP Verwaltung GmbH	Neuburg/Danube	100.00	100.00
UFH Verwaltung GmbH	Neuburg/Danube	100.00	100.00
BBI Bürgerliches Brauhaus Immobilien AG	Ingolstadt	94.88	94.88
IPF 1 GmbH	Neuburg/Danube	94.98	94.98
IPF 2 GmbH	Neuburg/Danube	94.98	94.98
ISG Infrastrukturelle Gewerbeimmobilien GmbH	Ingolstadt	75.00	75.00
Interpark Immobilien GmbH	Neuburg/Danube	74.00	74.00
VSI GmbH	Neuburg/Danube	74.00	74.00
IVM Verwaltung GmbH	Neuburg/Danube	60.00	60.00

The interests shown correspond to the proportionate interests attributable to the Group. For more information, please also refer to the list of shareholdings under note 46.

The main business activity of the parent company and of all its subsidiaries is the management and letting of commercial real estate.

The following table contains details about subsidiaries that the Group does not wholly own, and where significant non-controlling interests exist.

Name of subsidiary	Headquarters	Equity interest and voting rights interest of non-controlling shareholders (in %)		Gain or loss attributable to non-controlling interests (in EUR thousand)		Cumulative non-controlling interests (in EUR thousand)	
		31/12/18	31/12/17	**2018**	2017	**31/12/18**	31/12/17
BBI Bürgerliches Brauhaus Immobilien AG	Ingolstadt	5.12	5.12	310	404	5,855	5,501
Interpark Immobilien GmbH	Neuburg	26.0	26.0	843	626	6,204	5,777
ISG Infrastrukturelle Gewerbeimmobilien GmbH	Ingolstadt	25.0	25.0	538	513	5,024	4,635
Subsidiaries with individually immaterial non-controlling interests						5,717	5,408
Total sum of non-controlling interests						**22,800**	21,321

Summarised financial information about Group subsidiaries where there are significant non-controlling interests is presented below. The summarised financial information corresponds to amounts before intra-Group eliminations.

BBI BÜRGERLICHES BRAUHAUS IMMOBILIEN AG

IN EUR THOUSAND	**31/12/18**	31/12/17
Non-current assets	209,715	206,134
Current assets	16,834	8,235
Non-current liabilities	113,046	104,528
Current liabilities	10,539	12,874
Interest in equity attributable to parent company shareholders	97,694	92,005
Non-controlling shareholders	5,269	4,963

IN EUR THOUSAND	**2018**	2017
Revenue	14,634	14,439
Other income	2,284	4,173
Expenses	–11,784	–12,071
Net profit for the year	**5,134**	**6,541**
Net profit for the year attributable to parent company shareholders	4,871	6,206
Net profit for the year attributable to non-controlling shareholders	263	335
Total net income for the year	**5,134**	**6,541**
Other comprehensive income attributable to parent company shareholders	817	918
Other comprehensive income attributable to non-controlling shareholders	44	49
Total other comprehensive income	**861**	**967**
Total comprehensive income attributable to parent company shareholders	5,688	7,124
Total comprehensive income attributable to non-controlling shareholders	307	384
Total income	**5,995**	**7,508**
Dividends paid to non-controlling shareholders	—	—
Net cash flows from operating activities	12,576	12,573
Net cash flows from investing activities	–2,129	1,044
Net cash flows from financing activities	–2,670	–12,105
Total net cash flows	**7,777**	**1,512**

INTERPARK IMMOBILIEN GMBH

IN EUR THOUSAND	**31/12/18**	31/12/17
Non-current assets	47,351	46,151
Current assets	1,554	1,700
Non-current liabilities	24,015	24,639
Current liabilities	1,029	992
Interest in equity attributable to parent company shareholders	17,657	16,443
Non-controlling shareholders	6,204	5,777

IN EUR THOUSAND	**2018**	2017
Revenue	3,591	3,606
Other income	1,185	221
Expenses	–1,535	–1,418
Net profit for the year	**3,241**	**2,409**
Net profit for the year attributable to parent company shareholders	2,398	1,783
Net profit for the year attributable to non-controlling shareholders	843	626
Total net income for the year	**3,241**	**2,409**
Other comprehensive income attributable to parent company shareholders	—	—
Other comprehensive income attributable to non-controlling shareholders	—	—
Total other comprehensive income	**—**	**—**
Total comprehensive income attributable to parent company shareholders	2,398	1,783
Total comprehensive income attributable to non-controlling shareholders	843	626
Total income	**3,241**	**2,409**
Dividends paid to non-controlling shareholders	416	390
Net cash flows from operating activities	2,891	2,826
Net cash flows from investing activities	–17	–251
Net cash flows from financing activities	–3,027	–2,927
Total net cash flows	**–153**	**–352**

ISG INFRASTRUKTURELLE GEWERBEIMMOBILIEN GMBH

IN EUR THOUSAND	**31/12/18**	31/12/17
Non-current assets	37,099	36,469
Current assets	389	374
Non-current liabilities	16,210	17,151
Current liabilities	1,209	1,177
Interest in equity attributable to parent company shareholders	15,052	13,886
Non-controlling shareholders	5,017	4,629

IN EUR THOUSAND	**2018**	2017
Revenue	2,572	2,566
Other income	630	544
Expenses	–1,048	–1,058
Net profit for the year	**2,154**	**2,052**
Net profit for the year attributable to parent company shareholders	1,616	1,539
Net profit for the year attributable to non-controlling shareholders	539	513
Total net income for the year	**2,154**	**2,052**
Other comprehensive income attributable to parent company shareholders	—	—
Other comprehensive income attributable to non-controlling shareholders	—	—
Total other comprehensive income	**—**	**—**
Total comprehensive income attributable to parent company shareholders	1,616	1,539
Total comprehensive income attributable to non-controlling shareholders	539	513
Total income	**2,154**	**2,052**
Dividends paid to non-controlling shareholders	150	175
Net cash flows from operating activities	2,161	2,179
Net cash flows from investing activities	0	0
Net cash flows from financing activities	–2,146	–2,232
Total net cash flows	**15**	**–53**

D. NOTES ON THE INCOME STATEMENT AND BALANCE SHEET

The structure of the income statement for the current fiscal year is the same as in the previous fiscal year.

1. REVENUE

The Group's revenues are composed as follows:

IN EUR THOUSAND	**2018**	2017
Revenue from rents excluding utilities charges	75,018	72,764
Revenue from passed-on land tax and building insurance	2,020	1,940
Revenue from operating costs	8,646	8,094
Other revenue	1,105	752
	86,789	**83,550**

The revenue relates almost exclusively to revenue from the letting of investment properties.

Other income mainly includes charges passed on to customers, as well as service revenues and compensation for rental defaults.

The Group's analysis of the impacts of first-time application of IFRS 15 indicated – including in light of emerging industry practice – that VIB continues to hold the status of a principal, rather than an agent, in respect of the operating costs charged to tenants in connection with the letting of investment properties. As such, these ancillary costs billed to tenants are to be classed as revenue.

The land taxes and building insurance premiums charged to tenants and previously recognised under revenue from operating costs, and from which the tenant derives no separate use, are now recognised separately as rental income (leasing component as per IAS 17 and, in future, IFRS 16). There is no change to net basic rents and revenues as a result, as these additional contractual components were always recognised as gross amounts under revenue from operating costs. This is purely a recognition adjustment. The previous year's figure has been adjusted.

The corresponding costs for the accessing of such services are therefore once again recognised under the item "Expenses for investment properties" (D. 4).

2. OTHER OPERATING INCOME

Other operating income is composed as follows:

IN EUR THOUSAND	**2018**	2017
Other operating revenue	1,443	344
	1,443	**344**

Other operating income in the year under review primarily arises from insurance payouts and other compensation payments. The corresponding costs associated with insurance compensation for building damage are recognised under the item "Expenses for investment properties" (D. 4).

3. CHANGES IN VALUE FOR INVESTMENT PROPERTIES

IN EUR THOUSAND	**2018**	2017
Reversals to impairment charges arising from changes in market value IAS 40	27,686	21,048
Impairment charges arising from changes in market value IAS 40	–8,232	–3,668
	19,454	**17,380**

Rental properties are measured at fair value through profit or loss pursuant to IAS 40. As it is not yet possible to reliably determine the fair value of properties still being developed, these are measured at amortised cost.

Reversals to impairment losses of EUR 27,686 thousand are composed as follows:

IN TEUR	**2018**	2017
Increase in the value of development projects and acquisitions after completion of the development/start of property use	8,524	3,632
Increases in the value of portfolio properties	19,162	17,416
	27,686	**21,048**

4. EXPENSES FOR INVESTMENT PROPERTIES

The expenses connected with investment properties are composed as follows:

IN EUR THOUSAND	**2018**	2017
Land expenses/operating costs	11,683	11,547
Maintenance expenses	3,285	2,228
	14,968	**13,775**

Expenses for investment properties that did not contribute to generating rental income during the year under review (including in construction, vacancies, etc.) are of minor importance. Maintenance expenses include items for the repair of building damage connected with the amounts recognised above under D. 2 “Insurance compensation.”

5. PERSONNEL EXPENSES

IN EUR THOUSAND	**2018**	2017
Wages and salaries	2,975	2,879
Social security contributions	703	742
	3,678	**3,621**

The VIB Group employed an average of 38 employees excluding the two Managing Board members (previous year: 37).

6. OTHER OPERATING EXPENSES

Other operating expenses fell slightly from EUR 1,785 thousand in the previous year to EUR 1,780 thousand. This item chiefly comprises general administration, legal and consultancy costs, as well as investor relations expenses and Supervisory Board remuneration.

7. DEPRECIATION AND AMORTISATION

IN EUR THOUSAND	2018	2017
Amortisation	9	17
Depreciation	299	254
	308	**271**

The rise in scheduled depreciation on property, plant and equipment from EUR 254 thousand in the previous year to EUR 299 thousand in the year under review relates primarily to the opening of the newly built, owner-occupied administration building in the second quarter of the previous year.

8. PROFIT/LOSS ON EQUITY-ACCOUNTED INVESTMENTS

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

IN EUR THOUSAND	2018	2017
KHI Immobilien GmbH	–13	–12
BHB Brauholding Bayern-Mitte AG	16	164
	3	**152**

The income from investments is recognised pursuant to IAS 28.10 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 losses.

9. OTHER INTEREST AND SIMILAR INCOME

Other interest and similar income in the amount of EUR 8 thousand (previous year: EUR 23 thousand) is mostly due to interest on current account balances and demand deposits as well as loans extended comprising part of financial assets.

10. INTEREST AND SIMILAR EXPENSES

Interest and similar expenses in the amount of EUR 15,597 thousand (previous year: EUR 17,378 thousand) are mostly due to interest on bank borrowings and interest payments on interest rate swaps.

The interest expense for financial liabilities that are not measured at fair value through profit or loss amounted to EUR 13,514 thousand in the fiscal year under review (previous year: EUR 15,291 thousand).

11. EXPENSES FROM GUARANTEED DIVIDENDS

This expense results from the dividend guaranteed to outstanding shareholders as set out in the profit and loss transfer agreement with BBI Immobilien AG and reduces earnings in the amount of EUR 166 thousand (previous year: EUR 166 thousand). The cash settlement was set at EUR 0.74 (gross) per ordinary share.

12. INCOME TAX

Income taxes are composed as follows:

IN EUR THOUSAND	**2018**	2017
Current income tax expense	5,038	4,419
Deferred income tax expense	6,267	6,096
Expense from taxes on income	**11,305**	**10,515**

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.

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 statutory 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 reported as reconciliation issues.

IN EUR THOUSAND	**2018**	2017
Earnings before income taxes	71,200	64,453
Anticipated income tax rate: 15.825%		
Anticipated income tax expense	11,267	10,200
Prior years' taxes (current and deferred)	–2	–5
Tax impact of subsidiaries and equity accounted investments	0	–24
Corporation tax on compensation payment	26	26
Tax rate differences (trade tax)	11	10
Tax-free income (especially Sect. 8b KStG)	38	26
Tax-neutral effects from impairments on positive initial consolidation processes (IAS 12.22c)	0	217
Non-tax-deductible expenses	19	18
Other	–54	47
Reported income tax expense	**11,305**	**10,515**
Effective tax rate	15.88%	16.31%

13. NON-CONTROLLING SHAREHOLDERS' SHARE OF EARNINGS

The consolidated net income in the amount of EUR 59,895 thousand includes shares attributable to non-controlling shareholders (BBI Immobilien AG, IPF 1 GmbH, IPF 2 GmbH, ISG Infrastrukturelle Gewerbe-immobilien GmbH, Interpark Immobilien GmbH, VSI GmbH, IVM Verwaltung GmbH) in the amount of EUR 2,285 thousand (previous year: EUR 2,334 thousand).

14. EARNINGS PER SHARE

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

IN EUR THOUSAND	2018	2017
Earnings		
Consolidated net income	59,895	53,938
Less: earnings attributable to non-controlling interests	–2,285	–2,334
Basis for undiluted earnings per share	**57,610**	**51,604**
Less: Profit/loss on discontinued operations	0	0
Basis for undiluted earnings per share for continuing operations	**57,610**	**51,604**
Impact of potentially dilutive shares	0	0
Basis for diluted earnings per share	**57,610**	**51,604**
Less: Profit/loss on discontinued operations	0	0
Basis for diluted earnings per share for continuing operations	**57,610**	**51,604**
Number Of Shares		
Weighted average number of shares in circulation for undiluted earnings per share	27,579,779	27,579,779
Impact of potentially dilutive shares	0	0
Weighted average number of shares in circulation for diluted earnings per share	27,579,779	27,579,779
Undiluted earnings per share (in EUR)	**2.09**	**1.87**
Undiluted earnings per share for continuing operations (in EUR)	**2.09**	**1.87**
Diluted earnings per share (in EUR)	**2.09**	**1.87**
Diluted earnings per share for continuing operations (in EUR)	**2.09**	**1.87**

DIVIDENDS PAID

In the 2018 fiscal year, and according to the resolution of the Annual General Meeting on June 28, 2018, an amount of EUR 16,547,867.40 (previous year: EUR 15,168,878.45) was disbursed from the 2017 net retained profit of VIB Vermögen AG. This corresponds to a dividend of EUR 0.60 per share (previous year: EUR 0.55 per share).

The Managing and Supervisory Boards of VIB Vermögen AG will propose to the shareholders at the company's 2019 Annual General Meeting that a dividend of EUR 0.65 per share for the 2018 fiscal year be disbursed from the net retained profit of VIB Vermögen AG (total of EUR 17,926,856.35).

15. FAIR VALUE MEASUREMENT

The following table shows the fair value measurement of the Group's assets and liabilities by hierarchy levels.

QUANTITATIVE INFORMATION ABOUT THE FAIR VALUE MEASUREMENT OF ASSETS BY HIERARCHY LEVELS AS OF DECEMBER 31, 2018

			Fair value measurement applying		
IN EUR THOUSAND	Measurement date	Total	prices listed on active markets (Level 1)	significant observable inputs (Level 2)	significant observable inputs (Level 3)
Assets measured at fair value					
Investment properties (Note 20)					
Logistics/Light industry	31/12/18	709,050	—	—	709,050
Retail	31/12/18	323,790	—	—	323,790
Office	31/12/18	39,040	—	—	39,040
Commercial buildings/other	31/12/18	37,570	—	—	37,570
Liabilities measured at fair value					
Derivative financial liabilities (Note 23)					
Interest rate swaps	31/12/18	2,908	—	2,908	—
Liabilities for which fair value is reported in the notes					
Interest-bearing loans (Note 37)					
Fixed-interest loans	31/12/18	630,289	—	630,289	—

QUANTITATIVE INFORMATION ABOUT THE FAIR VALUE MEASUREMENT OF ASSETS BY HIERARCHY LEVELS AS OF DECEMBER 31, 2017

			Fair value measurement applying		
IN EUR THOUSAND	Measurement date	Total	prices listed on active markets (Level 1)	significant observable inputs (Level 2)	significant observable inputs (Level 3)
Assets measured at fair value					
Investment properties (note 20)					
Logistics/Light industry	31/12/17	645,900	—	—	645,900
Retail	31/12/17	322,910	—	—	322,910
Office	31/12/17	38,460	—	—	38,460
Commercial buildings/other	31/12/17	36,480	—	—	36,480
Assets held for sale					
Derivative financial liabilities (Note 23)					
Interest rate swaps	31/12/17	4,831	—	4,831	—
Liabilities for which fair value is reported in the notes					
Interest-bearing loans (Note 37)					
Fixed-interest loans	31/12/17	602,061	—	602,061	—

No regroupings occurred between the levels of the measurement hierarchies in the period under review.

16. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

16.1 INTANGIBLE ASSETS

IN EUR THOUSAND	Other rights	Total
Cost as of 01/01/2018	**188**	**188**
Additions	0	0
Disposals	0	0
Balance 31/12/2018	**188**	**188**
Amortisation/impairment as of 01/01/2018	**174**	**174**
Additions	9	9
Balance 31/12/2018	**183**	**183**
Carrying amount 31/12/2018	**5**	**5**
Carrying amount 01/01/2018	**14**	**14**

IN EUR THOUSAND	Other rights	Total
Cost as of 01/01/2017	**188**	**188**
Additions	0	0
Disposals	0	0
Balance 31/12/2017	**188**	**188**
Amortisation/impairment as of 01/01/2017	**157**	**157**
Additions	17	17
Balance 31/12/2017	**174**	**174**
Carrying amount 31/12/2017	**14**	**14**
Carrying amount 01/01/2017	**31**	**31**

16.2 PROPERTY, PLANT AND EQUIPMENT

IN EUR THOUSAND	Land and buildings	Other property, plant and equipment	Advance payments made and fixed assets under construction	Total
Cost as of 01/01/2018	**7,559**	**1,888**	**0**	**9,447**
Additions	20	32	0	52
Disposals	0	–12	0	–12
Reclassified to investment properties	0	0	0	0
Balance 31/12/2018	**7,579**	**1,908**	**0**	**9,487**
Amortisation/impairment as of 01/01/2018	**154**	**1,009**	**0**	**1,163**
Additions	205	94	0	299
Disposals	0	–12	0	–12
Balance 31/12/2018	**359**	**1,091**	**0**	**1,450**
Carrying amount 31/12/2018	**7,220**	**817**	**0**	**8,037**
Carrying amount 01/01/2018	**7,405**	**879**	**0**	**8,284**

IN EUR THOUSAND	Land and buildings	Other property, plant and equipment	Advance payments made and fixed assets under construction	Total
Cost as of 01/01/2017	**714**	**1,663**	**5,515**	**7,892**
Additions	6,845	269	–5,515	1,599
Disposals	0	–44	0	–44
Reclassified to investment properties	0	0	0	0
Balance 31/12/2017	**7,559**	**1,888**	**0**	**9,447**
Amortisation/impairment as of 01/01/2017	**0**	**947**	**0**	**947**
Additions	154	99	0	253
Disposals	0	–37	0	–37
Balance 31/12/2017	**154**	**1,009**	**0**	**1,163**
Carrying amount 31/12/2017	**7,405**	**879**	**0**	**8,284**
Carrying amount 01/01/2017	**714**	**716**	**5,515**	**6,945**

17. INVESTMENT PROPERTIES

IN EUR THOUSAND	2018	2017
Investment properties, measured at fair value	1,109,450	1,043,750
Property under construction, measured at amortised cost	73,098	52,974
	1,182,548	**1,096,724**

INVESTMENT PROPERTIES, MEASURED AT FAIR VALUE

IN EUR THOUSAND	2018	2017
Carrying amount 01/01	**1,043,750**	**1,004,110**
Additions	3,158	135
Disposals	0	–9,500
Reclassified from property under construction	43,088	30,253
Unrealised increases in market value	27,686	21,048
Unrealised deductions in market value	–8,232	–2,296
Carrying amount 31/12	**1,109,450**	**1,043,750**

The investment properties (IAS 40) relate to properties held for rental and value appreciation purposes deriving from the Group's core business. The Group measures the properties on the basis of the fair value model. An external valuation surveyor, Landestreuhand Weihenstephan GmbH, Wirtschaftsprüfungsgesellschaft, Freising, was appointed for this purpose.

The properties relate predominantly to commercial real estate assets that are largely rented to renowned tenants on a long-term basis. The properties are subdivided into the categories of Logistics/Light industry, Retail, office, and Commercial buildings and other.

At the Group, no restrictions exist relating to the disposability of investment properties, and no contractual obligations exist to purchase, construct or develop investment properties. Moreover, no significant contractual obligations exist relating to repairs, maintenance and improvements.

Note 15 includes information concerning the fair value hierarchy for investment properties measured at fair value.

The changes in the fair values per category are as follows:

IN EUR THOUSAND	Logistics/Light industry	Retail	Office	Commercial buildings/other	Total
Carrying amount 01/01/2018	**645,900**	**322,910**	**38,460**	**36,480**	**1,043,750**
Changes to consolidation scope	0	0	0	0	0
Additions	3,070	11	74	3	3,158
Disposals	0	0	0	0	0
Reclassified from/to property under construction	41,338	1,725	25	0	43,088
Unrealised market value changes recognised in profit or loss for the period	18,742	–856	481	1,087	19,454
Carrying amount 31/12/2018	**709,050**	**323,790**	**39,040**	**37,570**	**1,109,450**

IN EUR THOUSAND	Logistics/Light industry	Retail	Office	Commercial buildings/other	Total
Carrying amount 01/01/2017	**603,570**	**327,620**	**37,610**	**35,310**	**1,004,110**
Changes to consolidation scope	0	0	0	0	0
Additions	116	19	0	0	135
Disposals	–3,000	–6,500	0	0	–9,500
Reclassified from property under construction	32,662	–3,392	983	0	30,253
Unrealised market value changes recognised in profit or loss for the period	12,552	5,163	–133	1,170	18,752
Carrying amount 31/12/2017	**645,900**	**322,910**	**38,460**	**36,480**	**1,043,750**

The unrealised gains and losses recognised in profit or loss for the period are reported under the "changes in value for investment properties" item.

The applied measurement methods and significant inputs for investment properties measured at fair value are as follows:

Category	Measurement method	Significant non-observable input parameters	Range/value* 2018	Range/value* 2017
Logistics/Light industry real estate	Discounted cash flow method	Estimated rent per sqm and month	3.30 EUR – 14.70 EUR (weighted average: 5.16 EUR)	3.00 EUR – 15.00 EUR (weighted average: 5.00 EUR)
		Estimated operating costs per sqm and month	0.24 EUR – 1.33 EUR (weighted average: 0.38 EUR)	0.23 EUR – 1.35 EUR (weighted average: 0.38 EUR)
		Discounting rate	5.85% – 9.75%	5.95% – 9.50%
Retail properties	Discounted cash flow method	Estimated rent per sqm and month	4.50 EUR – 12.63 EUR (weighted average: 8.00 EUR)	5.00 EUR – 12.00 EUR (weighted average: 8.00 EUR)
		Estimated operating costs per sqm and month	0.06 EUR – 1.53 EUR (weighted average: 0.71 EUR)	0.06 EUR – 1.50 EUR (weighted average: 0.70 EUR)
		Discounting rate	5.75% – 7.15%	5.75% – 7.50%
Office Real estate	Discounted cash flow method	Estimated rent per sqm and month	5.67 EUR – 12.49 EUR (weighted average: 8.29 EUR)	6.00 EUR – 12.00 EUR (weighted average: 8.00 EUR)
		Estimated operating costs per sqm and month	0.64 EUR – 1.42 EUR (weighted average: 0.94 EUR)	0.64 EUR – 1.36 EUR (weighted average: 0.91 EUR)
		Discounting rate	5.80% – 8.10%	5.90% – 8.20%
Commercial buildings/other	Discounted cash flow method	Estimated rent per sqm and month	2.05 EUR – 28.44 EUR (weighted average: 9.03 EUR)	2.00 EUR – 28.00 EUR (weighted average: 9.00 EUR)
		Estimated operating costs per sqm and month	0.19 EUR – 2.66 EUR (weighted average: 0.87 EUR)	0.19 EUR – 2.66 EUR (weighted average: 0.87 EUR)
		Discounting rate	3.90% – 8.00%	4.00% – 8.00%

* The average values presented in the table are derived from the arithmetic average of the respective values of a category.

The properties are generally valued applying the discounted cash flow (DCF) method. The model comprises two phases: during the first phase (detailed planning period over 10 years), periodic cash surpluses are calculated and then discounted to the measurement date. For the second phase, which follows the detailed planning period, a residual value (disposal proceeds) is calculated by capitalising a sustainably achievable cash surplus into perpetuity. This residual value is also discounted to the measurement date. The gross present value of the property comprises the sum of the discounted cash surpluses from the detailed planning phase and the discounted disposal proceeds. This is converted into a net present value (net disposal price) by deducting potential buyers' incidental purchase costs (transaction costs): land purchase tax, as well as notary and land registry costs.

The calculation of the income surpluses generally comprises all incoming and outgoing payments relating to the property. Incoming payments include contractually agreed gross rents taking any rental adjustment clauses into consideration. A standard market rent that takes into account rental increases that are expected over the course of time is applied to spaces that become vacant on a short-term basis, as well as for periods after rental contracts expire. Outgoing payments comprise property management costs: mainly administrative expenses, operating costs that cannot be charged on to the tenant, maintenance expenses, ground rents, and costs in relation to guarantees, doubtful debts, contingent losses and so on. During the detailed planning period, management costs are calculated on the basis of cost rates that reflect the anticipated costs. These cost rates are based on actual costs incurred in previous periods.

Identifiable structural vacancies and any maintenance backlogs are reflected through corresponding discounts from the gross present value.

Yields derived from the real estate market are used to discount the cash flows anticipated for the detailed planning period and the residual value (disposal proceeds). The starting point is the "gross initial yield", i.e. the ratio of the contractual rent to the sale price of the property excluding incidental purchase costs. Taking the gross initial yield, the net initial yield is determined as a property-specific rate of interest. The net initial yield shows the ratio of the incoming payment surpluses to the total investment, which comprises the purchase price plus incidental purchase costs. The specific circumstances pertaining to the individual property being valued (location, age, condition, rentability) are factored in by applying property-specific additions or deductions to the net initial yield. The capitalisation rate used to determine the residual value (disposal proceeds) usually deviates from the rate used to discount the incoming payment surpluses during the detailed planning period and the residual value on the measurement date due to growth deductions and ageing additions.

When observed on an isolated basis, significant increases (reductions) in the estimated rent would result in a significantly higher (lower) fair value for the respective property. In contrast, a significant increase (decrease) in management costs would feed through to a considerably lower (higher) fair value. When observed on an isolated basis, a markedly higher (lower) discounting rate (and capitalisation rate) would result in a significantly lower (higher) fair value. In general, a modification to the assumptions relating to the expected market rent gives rise to a corresponding change to the discounting rate (and capitalisation rate).

PROPERTY UNDER CONSTRUCTION, MEASURED AT AMORTISED COST

IN EUR THOUSAND	**2018**	2017
Carrying amount 01/01	**52,974**	**57,663**
Additions	63,209	29,559
Disposals	0	–2,528
Exchange rate effects	3	–96
Reclassified to investment properties measured at fair value	–43,088	–30,253
Impairment charges relating to reserved plots due to a decrease in market values	0	–1,371
Carrying amount 31/12	**73,098**	**52,974**

Property under construction relates predominately to developed land plots with buildings under construction and undeveloped portfolio land plots measured at amortised cost.

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

The book value of assets under construction serves as the best approximation of fair value.

If internal or external sources of information indicate that the recoverable amount of a single asset (plot) is lower than its carrying amount, then the asset concerned will be written down accordingly.

18. 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.

All interests in associates are regarded as immaterial when taken individually.

IN EUR THOUSAND	2018	2017
Carrying amount of Group interests in associates	**6,238**	**5,276**

Summarised information for associates that are individually immaterial:

IN EUR THOUSAND	2018	2017
Group interest in profit or loss from continuing operations	3	68
Group interest in total comprehensive income	**3**	**68**

19. RECEIVABLES AND OTHER ASSETS

IN EUR THOUSAND	2018	2017
Trade receivables	1,615	1,400
Other assets	4,368	2,738
	5,983	**4,138**

Trade receivables stem mostly from current renting and relate to claims arising from outstanding rental payments and the settlement of incidental costs due from tenants.

Individual valuation allowances were required in the amount of EUR 63 thousand (previous year: EUR 52 thousand).

Other assets primarily relate to maintenance reserves, insurance payments and short-term loans extended.

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

The changes in valuation allowances are shown in the following table:

IN EUR THOUSAND	2018	2017
Balance – start of year	52	44
Additions	57	50
Consumed in derecognition	0	–15
Release	–46	–27
	63	**52**

In respect of determining whether trade receivables are impaired, please refer to the information provided in Chapter C ("Financial instruments"). There is no notable concentration in credit risk, as the customer base is broadly distributed and no correlations exist. Correspondingly, the Managing Board believes that no risk provisions are required over and above the valuation allowances already reported.

The fair value of the trade receivables corresponds to their carrying amount. Additions to valuation allowances during the fiscal year are carried in the income statement under other operating expenses, with reversals carried under other operating income.

20. BANK BALANCES AND CASH IN HAND

This item is utilised 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.

21. EQUITY

SUBSCRIBED SHARE CAPITAL

The subscribed share capital of VIB Vermögen AG amounts to EUR 27,579,779.00 (previous year: EUR 27,579,779.00) and is divided into 27,579,779 ordinary bearer shares (previous year: 27,579,779). During the fiscal year, no new shares were issued from authorised capital, and no new shares were issued from conditional capital.

SHARE PREMIUM ACCOUNT

The share premium account arises from the share premium of VIB Vermögen AG (adjusted to reflect capital raising costs after tax) and remains unchanged.

RETAINED EARNINGS

As part of the preparation of its annual financial statements as of December 31, 2018 (separate financial statements prepared according to the German Commercial Code [HGB]), the Managing Board of VIB Vermögen AG added EUR 9,695 thousand (previous year: EUR 5,810 thousand) to retained earnings.

CUMULATIVE EARNINGS

The Group's cumulative earnings derive from the previous year's earnings less the distribution for 2017 (EUR 16,548 thousand), the allocations to the retained earnings of the parent company (EUR 9,695 thousand) plus the current consolidated net income from the 2018 fiscal year that is due to Group shareholders (EUR 57,610 thousand) and the corresponding other earnings (excluding the cash flow hedge reserve and foreign currency translation) from the statement of other comprehensive income (EUR 104 thousand).

CASH FLOW HEDGES

The cash flow hedge reserve is utilised to report the market value of cash flow hedge derivatives (including deferred tax) to the extent that these serve to hedge (interest) cash flows for specific underlying transactions.

FOREIGN CURRENCY TRANSLATION

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 interest for non-controlling shareholders is attributable to the interests in BBI Immobilien AG, IPF 1 GmbH, IPF 2 GmbH, ISG Infrastrukturelle Gewerbeimmobilien GmbH, Interpark Immobilien GmbH, VSI GmbH and IVM Verwaltung GmbH.

This item changed as follows:

IN EUR THOUSAND	**2018**	2017
Balance – start of year	21,321	19,680
Distribution to shareholders	–850	–743
Share of annual earnings	2,285	2,334
Non-controlling shareholders' share of other comprehensive income	44	50
Balance – end of year	**22,800**	**21,321**

With regard to material non-controlling interests, please refer to the section "Information on subsidiaries" in Chapter C.

AUTHORISED CAPITAL

AUTHORISED CAPITAL 2013:

The Annual General Meeting on July 3, 2013, adopted a resolution to create authorised capital (Authorised Capital 2013) in the amount of EUR 2,136,430.00. None of this has been utilised to date. The authorisation granted to the Managing Board to issue, with Supervisory Board assent, new shares in return for cash and non-cash capital contributions, and the possibility of simplified exclusion of subscription rights, expired on July 2, 2018. Authorised Capital 2013, in the amount of EUR 2,136,430.00, has therefore expired.

AUTHORISED CAPITAL 2015:

The Annual General Meeting on July 1, 2015, adopted a resolution to create further authorised capital (Authorised Capital 2015) in the amount of EUR 2,478,390.00. None of this has been utilised to date. The authorisation granted to the Managing Board to issue, with Supervisory Board assent, new shares in return for cash and non-cash capital contributions, and the possibility of simplified exclusion of subscription rights, runs until June 30, 2020.

The available authorised capital consequently stands at EUR 2,478,390.00.

CONDITIONAL CAPITAL

The Annual General Meeting on July 3, 2013, adopted a resolution to create conditional capital (2013) in the amount of EUR 2,136,430. Of this conditional capital, an amount of EUR 451 remained at the end of the previous year. No further use was made of this capital in the year under review. As at the end of 2018, the remaining amount was unchanged at EUR 451.

The Annual General Meeting on July 2, 2014, adopted a resolution to create further conditional capital (2014) in the amount of EUR 2,215,133. No further use was made of this capital in the year under review. As at the end of 2018, the remaining amount was unchanged at EUR 166.

The Annual General Meeting on July 1, 2015, adopted a resolution to create further conditional capital (2015) in the amount of EUR 2,478,390. None of this conditional capital had been used by December 31, 2018. The 2015 conditional capital is still available in full.

DEFERRED TAXES ON INCOME AND EXPENSES TAKEN DIRECTLY TO EQUITY

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

IN EUR THOUSAND	**2018**			2017		
	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Foreign currency effects from the translation of independent subsidiaries	–6	0	–6	–53	0	–53
Mark-to-market valuation of cash flow hedges	1,923	–280	1,643	2,170	–316	1,854
Actuarial gains/losses on pension plans	122	–19	103	1	0	1
Income and expenses taken directly to equity	**2,039**	**–299**	**1,740**	**2,118**	**–316**	**1,802**

22. NON-CURRENT FINANCIAL LIABILITIES

IN EUR THOUSAND	**2018**	2017
Remaining term of between 1 and 5 years	145,275	122,637
Remaining term of more than 5 years	462,574	464,659
	607,849	**587,296**

Financial liabilities with a term of more than 12 months are from the following companies:

IN EUR THOUSAND	2018	2017
Non-current financial liabilities		
VIB Vermögen AG	415,901	403,615
BBI Bürgerliches Brauhaus Immobilien AG	98,472	89,798
Interpark Immobilien GmbH	21,586	22,514
VSI GmbH	14,598	15,461
UFH Verwaltung GmbH	14,148	0
ISG Infrastrukturelle Gewerbeimmobilien GmbH	13,911	15,074
IPF 2 GmbH	11,930	12,618
IPF 1 GmbH	11,185	11,829
KIP Verwaltung GmbH	0	10,000
Merkur GmbH	4,722	4,931
IVM Verwaltung GmbH	1,396	1,456
	607,849	**587,296**

The non-current financial liabilities are secured by land charges on the investment properties, and the assignment of rental claims.

23. LIABILITIES ARISING FROM DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises interest rate swaps to manage risk and to optimise interest expenses connected with bank loans drawn down.

The cash flows and their effects on profit or loss are expected to occur in the 2019 and 2020 reporting periods.

IN EUR THOUSAND	2018	2017
Derivative financial instruments		
Interest rate swaps (payer swaps)	2,908	4,831
	2,908	**4,831**

24. DEFERRED TAXES

Deferred tax results from differing valuations between the IFRS and tax values for Group companies and consolidation measures.

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

IN EUR THOUSAND	2018	2017
Deferred tax assets		
Derivative assets	416	695
Pension provisions/other	146	141
Intra-Group profit elimination	49	49
Total deferred tax assets	**611**	**885**
Deferred tax liabilities		
Investment properties	52,859	46,567
Total deferred tax liabilities	**52,859**	**46,567**
Offsetting of deferred tax assets and liabilities	–611	–885
Carrying amount after offsetting		
Deferred tax assets	**0**	**0**
Deferred tax liabilities	**52,248**	**45,682**

Deferred tax assets and deferred tax liabilities were offset insofar as they relate to the same tax authority.

Losses carried forward on December 31, 2018, were reported as follows:

- Trade tax EUR 15,588 thousand (previous year: EUR 15,229 thousand)
- Corporation tax EUR 487 thousand (previous year: EUR 217 thousand)

No deferred tax was capitalised for trade losses due to the expanded scope of tax reduction.

No deferred tax liabilities were recognised for EUR 91,895 thousand (previous year: EUR 80,160 thousand) of outside basis differences since the parent company is able to control a reversal, and reversal is currently not anticipated.

At the level of the parent company, distributions from, or sales of, its subsidiaries would only be taxable at 5% of the tax rate, which would result in a deferred tax liability of EUR 727 thousand (previous year: EUR 634 thousand).

25. PENSION PROVISIONS

Provisions for pensions include company retirement benefit commitments to beneficiaries and their surviving dependants. The pension commitments are based on individual contractual benefit commitments.

The beneficiaries can generally claim a fixed old-age and invalidity pension when they reach pensionable age (63) depending on their period of service. Other benefits are not planned after the end of employment contracts. The pensions' values are linked to the inflation index. No plan assets in the meaning of IAS 19 exist.

The Group's commitments from retirement benefit plans totalling EUR 2,363 thousand as disclosed on the balance sheet correspond to their projected unit credit value.

The actuarial target value of the pension obligation, as calculated using the projected unit credit method, is the present value of the defined benefit obligation (DBO), which corresponds to the present value of the entitlements earned as of the valuation cut-off date, which are therefore to be allocated to prior reporting periods.

The projected unit credit values of the defined benefit obligations changed as follows:

IN EUR THOUSAND	**2018**	2017
Balance 01/01	**2,288**	**2,009**
Newly acquired benefit entitlements	260	320
Interest expense	43	36
Pensions paid	–105	–76
Actuarial gains/losses		
due to changes in demographic assumptions	25	0
due to changes in financial assumptions	–31	–54
due to experience-related adjustments	–117	53
Balance 31/12	**2,363**	**2,288**

Calculated actuarial assumptions:

IN %	**2018**	2017
Discounting rate	1.73 – 2.19	1.58 – 2.06
Pension trend	1.75 – 2.00	0.0 – 2.00

The revised 2018 G Heubeck reference tables were used as mortality tables.

The salary trend was carried at 0.0% (as was the case for the probability of staff turnover).

A quantitative sensitivity analysis for the most important assumptions as of December 31, 2018, generates the following results:

- A 1 percentage point increase in the discount rate results in a EUR –305 thousand decrease in the DBO, and a EUR 18 thousand increase in the interest cost. A 1 percentage point decrease in the discount rate results in a EUR 386 thousand increase in the DBO, and a EUR –14 thousand decrease in the interest cost.
- A 1 percentage point increase in pension growth results in a EUR 300 thousand increase in the DBO, and a EUR 11 thousand increase in the interest cost. A 1 percentage point decrease in pension growth results in a EUR –252 thousand decrease in the DBO, and a EUR 1 thousand decrease in the interest cost.

This sensitivity analysis was conducted using a method that extrapolates the effects of realistic modifications to the most important assumptions on the defined benefit obligation until the end of the reporting period.

The following amounts are expected to be paid out over the coming years as part of the defined benefit obligation:

IN EUR THOUSAND	**2018**	2017
Over the next 12 months	106	104
Between 2 and 5 years	414	410
Between 5 and 10 years	521	514
More than 10 years	1,322	1,260
Expected outgoing payments	**2,363**	**2,288**

The average duration of the defined benefit obligation amounted to 7 years at the end of the reporting period (previous year: 8).

26. CURRENT FINANCIAL LIABILITIES

Current financial liabilities mostly relate 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 EUR THOUSAND	**2018**	2017
VIB Vermögen AG	14,000	13,368
KIP Verwaltung GmbH	10,000	0
BBI Bürgerliches Brauhaus Immobilien AG	4,114	3,495
ISG Infrastrukturelle Gewerbeimmobilien GmbH	1,163	1,123
Interpark Immobilien GmbH	928	907
IPF 1 GmbH	644	622
IPF 2 GmbH	687	664
VSI GmbH	922	833
UFH Verwaltung GmbH	461	0
IVM Verwaltung GmbH	54	53
Merkur GmbH	291	70
	33,264	**21,135**

The current financial liabilities are secured by land charges and the assignment of rental claims.

27. PROVISIONS

The amounts carried as provisions relate to transactions from 2018 or earlier years that have led to a current obligation by the company and that are expected to lead to an outflow of resources. Uncertainty exists, however, surrounding the date on which these will become due and the exact amount of the liability.

No obligations entailing significant uncertainties existed as of December 31, 2018. As a consequence, all corresponding amounts are reported among liabilities.

28. INCOME TAX LIABILITIES

The reported income tax liabilities of EUR 599 thousand (previous year: EUR 784 thousand) mainly relate to current tax liabilities for 2018 relating to VIB AG (EUR 574 thousand).

29. LIABILITIES TO PARTICIPATING INTERESTS

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

30. OTHER LIABILITIES

IN EUR THOUSAND	**2018**	2017
Trade payables	1,944	1,278
Other current liabilities	5,176	6,074
	7,120	**7,352**

Other current liabilities primarily relate to obligations from outstanding property-related invoices, bonus payments, operating cost repayments, accrued interest and payable VAT.

31. SEGMENT REPORTING

Please refer to the comments under section C regarding the scope of 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).

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, no secondary, “Regions” reporting format is presented in the company’s internal reporting. The company has consequently refrained from such segmentation. Internal reporting to the Managing Board is in line with this reporting.

32. CASH FLOW STATEMENT

The cash and cash equivalents in the amount of EUR 31,015 thousand (previous year: EUR 37,979 thousand) comprise the balance sheet item cash and cash equivalents, which includes cheques, cash on hand and bank balances as well as financial securities with an original term of three months or less.

RECONCILIATION OF FINANCIAL LIABILITIES PURSUANT TO IAS 7

			Non-cash			
IN EUR THOUSAND	31/12/17	Cash	Addition/ disposal	Interest	Reclassification	31/12/18
Development of financial liabilities						
Non-current financial liabilities	587,296	32,682	0	0	–12,129	607,849
Current financial liabilities	21,135	0	0	0	12,129	33,264
Total financial liabilities	**608,431**	**32,682**	**0**	**0**	**0**	**641,113**

			Non-cash			
IN EUR THOUSAND	31/12/16	Cash	Addition/ disposal	Interest	Reclassification	31/12/17
Development of financial liabilities						
Non-current financial liabilities	572,404	–5,603	0	0	20,495	587,296
Current financial liabilities	41,630	0	0	0	–20,495	21,135
Total financial liabilities	**614,034**	**–5,603**	**0**	**0**	**0**	**608,431**

33. OTHER FINANCIAL LIABILITIES AND CONTINGENT LIABILITIES

Contingent liabilities comprise existing or future liabilities which are based on past events, but for which an outflow of resources is not deemed to be probable. According to IAS 37, these liabilities are to be listed in the notes to the financial statements. No contingent liabilities required recognition as of December 31, 2018, or in the previous year.

Shares in the provident fund of Bürgerliches Brauhaus Ingolstadt GmbH were transferred to BHB rauholding Bayern-Mitte AG in 2010. BBI Bürgerliches Brauhaus Immobilien AG is indirectly liable on the basis of subsidiary liability for the provision of company pensions in an amount of EUR 14 thousand (previous year: EUR 14 thousand). Utilisation is not anticipated as of the balance sheet date due to business and financial circumstances.

As of the balance sheet date, an order obligation of EUR 45,532 thousand (previous year: EUR 45,087 thousand) exists from investment projects and land purchase agreements that have already commenced.

34. LEASES

VIB VERMÖGEN AG AS LESSOR

As part of its operating activities, the Group has primarily concluded rental agreements in relation to the commercial letting of its investment properties. These are operating leases.

For fiscal years from 2019, VIB AG will receive the following minimum lease payments from uncancellable existing rental agreements.

IN EUR THOUSAND	**2018**	2017
Due within one year	76,410	72,732
Due within 1 to 5 years	205,184	200,458
Due in more than 5 years	148,759	112,336
	430,353	**385,526**

The minimum lease payments include the contractually agreed payments from tenants (excluding ancillary costs) through to the end of the contract or the earliest possible termination date.

The company reported through the income statement EUR 404 thousand (previous year: EUR 233 thousand) of contingent rental payments in the fiscal year under review.

VIB VERMÖGEN AG AS LESSEE

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

On the balance sheet date, the Group carried outstanding obligations from operating leases in the amount of EUR 79 thousand (previous year: EUR 83 thousand).

35. LIQUIDITY AND INTEREST RATE RISK

Liquidity risk reflects a scenario in which the Group is unable to pay its own liabilities. The Group manages its liquidity centrally so that it has sufficient funds available at all times in order to service its liabilities when they fall due. As of December 31, 2018, the Group had at its disposal undrawn credit lines in an amount of EUR 12,449 thousand (previous year: EUR 12,449 thousand).

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 EUR THOUSAND	Financial loans with variable interest (Repayments and interest payments)	Financial loans with fixed interest (Repayments and interest payments)	Trade payables	Other financial liabilities	Derivative financial instruments	Total
Liquidity analysis as of 31/12/2018						
due in 1–12 months	14,100	31,785	1,944	4,289	1,764	**53,882**
due in 12–60 months	16,724	173,214	0	0	1,127	**191,065**
due in > 60 months	30,250	609,767	0	0	0	**640,017**
Liquidity analysis as of 31/12/2017						
due in 1–12 months	2,739	31,273	1,278	5,202	2,043	**42,535**
due in 12–60 months	15,188	152,231	0	0	2,892	**170,311**
due in > 60 months	43,510	598,446	0	0	0	**641,956**

The average interest rate on the variable-rate financial loans amounted to 0.94% as of December 31, 2018 (previous year: 0.94%). The average interest rate on the fixed-rate financial loans amounted to 2.44% as of December 31, 2018 (previous year: 2.69%).

Changes to interest rates are presented 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. No significant concentration of interest rate risks exists in the Group.

The Group takes out non-current bank borrowings at fixed and variable interest rates. Changes in market interest rates for bank borrowings with fixed interest rates only impact earnings if they are measured at fair value. Measurement is always 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; to this extent, no interest rate risk exists. 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 financial borrowings.

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 rate level had been 100 basis points higher (lower) in 2018, earnings would have been approx. EUR 491 thousand (previous year: EUR 325 thousand) lower (higher).

36. DEFAULT RISKS

The maximum default risk is reflected by the carrying amount of each financial asset on the balance sheet. An analysis of carrying amounts by balance sheet items and categories as per IFRS 7 is presented in the "Notes to the balance sheet". No other material off-balance-sheet default risks exist.

No de facto default risk exists relating to 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 following 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 EUR THOUSAND	Non-current and current financial assets	Trade receivables	Other financial receivables and assets
Loans and receivables – 31/12/2018			
Gross carrying amount	0	1,677	4,368
of which overdue, but not-value adjusted	0	0	0
of which value-adjusted	0	342	0
Loans and receivables – 31/12/2017			
Gross carrying amount	0	1,452	2,738
of which overdue, but not-value adjusted	0	0	0
of which value-adjusted	0	280	0

In the case of the trade receivables and other receivables and assets that were neither value-adjusted nor in default, no signs existed on the balance sheet date that the debtors would fail to fulfil their payment obligations.

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

37. CATEGORIES OF FINANCIAL INSTRUMENTS

The following table shows by category the carrying amounts and fair values of all of the Group's financial instruments reported in the consolidated financial statements.

No fair value is stated for financial instruments whose carrying amounts represent appropriate approximations of fair value.

2018

IN EUR THOUSAND
ASSETS
Receivables and other assets
Trade receivables
Other financial assets
Bank balances and cash in hand
EQUITY AND LIABILITIES
Variable-rate loans
Fixed-interest loans
Hedge accounting derivatives
Liabilities to participating interests
Trade payables
Other financial liabilities
of which aggregated
Financial assets
Financial liabilities
Derivatives with cash flow hedge (measured at fair value directly in equity)

IFRS 13 fair value category	Carrying amount as of 31/12/2018	Fair value as of 31/12/2018	of which at amortised cost	of which at fair value through profit or loss	of which at fair value through equity
n. a.	1,615	n. a.	1,615	—	—
n. a.	4,368	n. a.	4,368	—	—
n. a.	31,015	n. a.	31,015	—	—
Level 2	49,848	n. a.	49,848	—	—
Level 2	591,266	630,289	591,266	—	—
Level 2	2,908	2,908	—	—	2,908
n. a.	827	n. a.	827	—	—
n. a.	1,944	n. a.	1,944	—	—
n. a.	4,289	n. a.	4,289	—	—
	36,998				
	648,174				
	2,908				

2017

IN EUR THOUSAND
ASSETS
Receivables and other assets
Trade receivables
Other financial assets
Bank balances and cash in hand
EQUITY AND LIABILITIES
Variable-rate loans
Fixed-interest loans
Hedge accounting derivatives
Liabilities to participating interests
Trade payables
Other financial liabilities
of which aggregated according to IFRS 9 measurement categories
Financial assets
Loans and Receivables (LaR) (measured at amortised cost)
Financial liabilities
Financial liabilities at cost (FLAC) (measured at amortised cost)
Derivatives with cash flow hedge (measured at fair value directly in equity)

As far as items for which no fair values are stated in the tables above are concerned, the management has determined that the carrying amounts almost correspond to their fair values due to their short terms or standard market interest rate.

The fair value of fixed-interest loans and derivative financial instruments is stated at the amount at which the respective instrument could be exchanged between business partners that were willing to enter into agreement concerning a current transaction (except forced disposal or liquidation).

Measurement categories as per IFRS 9	IFRS 13 fair value category	Carrying amount as of 31/12/2017	Fair value as of 31/12/2017	of which at amortised cost	of which at fair value through profit or loss	of which at fair value through equity
LaR	n. a.	1,400	n. a.	1,400	—	—
LaR	n. a.	2,738	n. a.	2,738	—	—
LaR	n. a.	37,979	n. a.	37,979	—	—
FLAC	Level 2	48,826	n. a.	48,826	—	—
FLAC	Level 2	559,605	602,061	559,605	—	—
CF-Hedge	Level 2	4,831	4,831	—	—	4,831
FLAC	n. a.	827	n. a.	827	—	—
FLAC	n. a.	1,278	n. a.	1,278	—	—
FLAC	n. a.	5,202	n. a.	5,202	—	—
		42,117				
		615,738				
		4,831				

The methods and assumptions applied to calculate fair value are as follows:

- The fair values of the Group's fixed-interest loans are calculated applying the discounted cash flow method. This is based on the discounting rate that reflects the issuer's debt funding rate at the end of the period under review. The proprietary risk of non-satisfaction was categorised as low as of December 31, 2018.
- The Group enters into derivative financial instruments with various parties, especially banks with good credit ratings. Derivatives measured applying a valuation method comprising observable market input parameters mainly comprise interest rate swaps and forward currency contracts. The most frequently applied valuation methods include option pricing and swap models utilising present value calculations. These models include a range of variables such as business partners' credit ratings, cash and forward currency exchange rates and yield curves. Derivative items are marked to market as of December 31, 2018; the default risk for the Group and the bank is classified as low in this context.

The VIB Group has pledged investment property in the amount of EUR 51,949 thousand (this amount corresponds to the carrying amount of the shares held in BBI Immobilien AG) as security for current account credit lines granted. The carrying amount of the collateral is less than fair value.

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

IN EUR THOUSAND	**2018**	2017
Loans and receivables	11	35
Bank balances and cash in hand	8	23
of which: held for trading	0	0
Financial liabilities measured at amortised cost	–13,687	–15,431
Derivative financial instruments designated and effective as hedging instruments (cash flow hedges)	–160	83
of which in consolidated profit or loss	–2,083	–2,087
of which in other comprehensive income	1,923	2,170

The net gains/losses comprise interest expenses, interest income, dividends, impairment losses and reversals of impairment losses, as well as valuation gains/losses on financial instruments. Commissions and fees for financial liabilities that are measured at cost depressed earnings by EUR 173 thousand.

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

Impairment losses of EUR 63 thousand relating to financial assets were expensed during the period (previous year: EUR 52 thousand). The impairment losses relate to specific valuation allowances applied to trade receivables. Reversals of valuation allowances applied to trade receivables amounted to EUR 46 thousand (previous year: EUR 15 thousand).

38. CAPITAL RISK MANAGEMENT

The Group manages its capital with the aim of maximising income for its stakeholders by optimising its debt to equity ratio. This ensures that all of the Group companies can operate on a going concern basis.

The Group's capital structure comprises liabilities, cash and cash equivalents and the equity due to investors in the parent company. This comprises issued shares and reserves.

Capital management aims to ensure a going concern and generate an adequate return on equity.

Capital is monitored based on economic equity. Economic equity comprises the equity as recognised on the balance sheet. 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:

IN EUR THOUSAND	**31/12/2018**	31/12/2017
Equity	527,593	483,355
Equity as a % of total capital	42.7	41.9
Liabilities	707,315	670,386
Liabilities as a % of total capital	57.3	58.1
	1,234,908	**1,153,741**

39. THE COMPANY'S BOARDS

During the 2018 fiscal year, the company's Managing Board comprised:

Martin Pfandzelter, Chief Executive Officer,
business administration graduate (Diplom-Kaufmann), Neuburg/Danube
As of 31/12/2018, Mr Pfandzelter performs no functions on controlling bodies.

Holger Pilgenröther, Chief Financial Officer,
business studies graduate (Diplom-Betriebswirt), Neuburg/Danube
As of 31/12/2018, Mr Pilgenröther performs no functions on controlling bodies.

In the 2018 fiscal year, the Supervisory Board comprised the following members:

- Mr Franz-Xaver Schmidbauer, engineering graduate (Diplom-Ingenieur), Managing Director of FXS Vermögensverwaltung GmbH (Chairman)
- Mr Jürgen Wittmann, Sparkasse Ingolstadt Eichstätt (Ingolstadt Eichstätt savings bank) Managing Board member (Deputy Supervisory Board Chairman)
- Mr Rolf Klug, businessman

The elected Supervisory Board members have never served on the Managing Board of VIB AG.

40. 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 in December 2018 (and previously in December 2017), 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 German Commercial Code (HGB) and published this in the management report of BBI Bürgerliches Brauhaus Immobilien AG.

41. MANAGING BOARD REMUNERATION

During the year under review, members of the Managing Board of the parent company VIB Vermögen AG received current remuneration of EUR 1,072 thousand (previous year: EUR 1,112 thousand), of which EUR 705 thousand came in the form of performance-related remuneration (previous year: EUR 745 thousand) and EUR 25 thousand in the form of other ancillary benefits (previous year: EUR 25 thousand). In addition, pension contributions of EUR 224 thousand (previous year: EUR 312 thousand) for serving and former Managing Board members are included in personnel expenses. Pension payments of EUR 36 thousand (previous year: EUR 9 thousand) were made to former Managing Board members in the year under review.

The Supervisory Board determines Managing Board compensation, taking into account individual performance and market trends.

42. SUPERVISORY BOARD REMUNERATION

Total compensation for the Supervisory Board of VIB Vermögen AG amounted to EUR 185 thousand in the fiscal year under review (previous year: EUR 185 thousand).

43. AUDITOR'S FEES

The expenses reported in the 2018 fiscal year for the auditor of the parent company relating to audit services amount to EUR 93 thousand for 2018 and EUR 111 thousand for 2017. A total of EUR 0 thousand (previous year: EUR 8 thousand) was reported for other certification services.

44. EVENTS AFTER THE REPORTING DATE

As part of a transaction imposing a legal obligation arising from a conditional notarial purchase agreement in respect of the acquisition of a plot of land – with a transfer of ownership, benefits and encumbrances – in 2019, the company has incurred financial purchase price payment obligations of up to EUR 7.9 million and associated investment costs in the amount of EUR 5.3 million.

No further events occurred after the end of the 2018 fiscal year that had a material impact on the earnings, assets and financial position.

45. 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.

Balances and business transactions between VIB Vermögen AG and its subsidiaries and related entities and parties have been eliminated as part of consolidation and are not examined in these Notes. Details of business transactions between the Group and other related entities and parties are disclosed as follows.

The company once again concluded several loans with Sparkasse Ingolstadt Eichstätt as part of its business activities. Supervisory Board member Jürgen Wittmann is a managing board member of Sparkasse Ingolstadt Eichstätt. The company's total exposure amounts to EUR 51.4 million (previous year: EUR 48.2 million). The loans extended were entered into on an arm's-length basis.

Please refer to notes 41 and 42 in this chapter for information about compensation of staff in key positions (Managing Board members).

46. LIST OF SHAREHOLDINGS PURSUANT TO SECT. 313 (2) OF THE GERMAN COMMERCIAL CODE (HGB)

The following comprise the company's significant direct or indirect shareholdings:

	Capital in %
Merkur GmbH, Neuburg a.d. Donau	100.00
VIMA Grundverkehr GmbH, Neuburg a.d. Donau	100.00
KIP Verwaltung GmbH, Neuburg a.d. Donau	100.00
UFH Verwaltung GmbH, Neuburg a.d. Donau	100.00
RV Technik s.r.o., Pilsen (Czech Republic)	100.00
IPF 1 GmbH, Neuburg	94.98
IPF 2 GmbH, Neuburg	94.98
BBI Bürgerliches Brauhaus Immobilien AG, Ingolstadt *	94.88
ISG Infrastrukturelle Gewerbeimmobilien GmbH, Ingolstadt	75.00
Interpark Immobilien GmbH, Neuburg a.d. Donau	74.00
VSI GmbH, Neuburg a.d. Donau	74.00
IVM Verwaltung GmbH, Neuburg a.d. Donau	60.00
BHB Brauholding Bayern-Mitte AG, Ingolstadt **/****	34.18
KHI Immobilien GmbH, Neuburg a.d. Donau ***/****	41.67

* Profit/loss before profit-and-loss-transfer
** Indirect interest
*** Direct and indirect interest
**** Inclusion as per the equity method

47. EMPLOYEES

The company employed an average of 38 employees in the 2018 fiscal year (previous year: 37 employees).

48. AUTHORISATION OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR PUBLICATION PURSUANT TO IAS 10.17

The Managing Board approved these consolidated financial statements for publication on April 29, 2019. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Neuburg/Danube, April 29, 2019

Martin Pfandzelter
(Chief Executive Officer)

Holger Pilgenröther
(Chief Financial Officer)

"AUDIT OPINION OF THE INDEPENDENT AUDITOR

To VIB Vermögen AG

AUDIT FINDINGS

We have audited the consolidated financial statements of VIB Vermögen AG, Neuburg an der Donau, Germany, and its subsidiaries ("the Group") comprising the consolidated balance sheet as of December 31, 2018, the consolidated income statement for the fiscal year from January 1, 2018, to December 31, 2018, the consolidated statement of comprehensive income for the fiscal year from January 1, 2018, to December 31, 2018, the consolidated statement of changes in equity for the fiscal year from January 1, 2018, to December 31, 2018, the consolidated cash flow statement for the fiscal year from January 1, 2018, to December 31, 2018, and the notes to the consolidated financial statements (including a summary of significant accounting methods). Furthermore, we have audited the consolidated management report of VIB Vermögen AG for the fiscal year from January 1, 2018, to December 31, 2018.

In our judgement, and based on the findings gleaned from the audit,

- the enclosed consolidated financial statements comply with IFRS (as applicable in the EU) – and the applicable supplementary provisions of German law pursuant to Section 315e (1) HGB – in all significant respects and, paying due regard to these provisions, provide a true and fair view of the Group's assets and financial position as of December 31, 2018, as well as its earnings position for the fiscal year from January 1, 2018, to December 31, 2018, and
- the enclosed consolidated management report provides an accurate overall picture of the position of the company. This consolidated management report is consistent with the consolidated financial statements in all significant respects, complies with German statutory requirements and accurately presents the opportunities and risks connected with future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has resulted in no objections to the conformity of the consolidated financial statements and the consolidated management report.

BASIS OF THE AUDIT FINDINGS

We conducted our audit of the consolidated financial statements and the consolidated management report in accordance with Section 317 HGB, paying due regard to the principles of proper end-of-year audits set out by Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW). Our responsibility pursuant to these regulations and principles is described in greater detail in the section of our audit opinion entitled "Responsibility of the auditor for auditing the consolidated financial statements and the consolidated management report". In accordance with the provisions of German commercial and professional law, we are independent from the Group companies and have also met our other German professional obligations in accordance with these requirements. We take the view that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit findings in respect of the consolidated financial statements and the consolidated management report.

OTHER INFORMATION

The Supervisory Board is responsible for the Supervisory Board report. The legal representatives are responsible for the other information. This other information comprises the following intended sections of the Annual Report: the letter to the shareholders, the Supervisory Board report, the business model, EPRA performance indicators, the share and investor relations and the property portfolio. We have obtained a version of this other information prior to issuing this audit opinion.

Our audit findings on the consolidated financial statements and the consolidated management report do not extend to the other information. Accordingly, we issue neither an audit opinion nor any other form of audit conclusion in respect hereof.

In connection with our audit, it is our responsibility to read the other information and to deem whether this other information

- exhibits significant discrepancies with the consolidated financial statements, the consolidated management report or any other findings gleaned during our audit or
- appears to be incorrect in any other significant respect.

We have nothing to report in this regard.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

The legal representatives are responsible for preparing consolidated financial statements that comply with IFRS (as applicable in the EU) and the applicable supplementary provisions of German law pursuant to Section 315e (1) HGB in all significant respects and for ensuring that the consolidated financial statements, paying due regard to these provisions, provide a true and fair view of the Group's asset , financial and earnings position. Further, the legal representatives are responsible for the internal controls that they deem necessary to enable preparation of consolidated financial statements that are free from significant misrepresentations, whether intentional or unintentional.

When preparing the consolidated financial statements, the legal representatives are responsible for evaluating the ability of the Group to continue as a going concern. Furthermore, they are responsible for disclosing any relevant circumstances in connection with the Group's ability to continue as a going concern. In addition, they are responsible for preparing a balance sheet on the basis of the going concern principle of accounting unless it is their intention to liquidate the Group or to discontinue operations or if there is no realistic alternative hereto.

The legal representatives are also responsible for preparing a consolidated management report that provides an accurate overall picture of the position of the company, is consistent with the consolidated financial statements in all significant respects, complies with German statutory requirements and accurately presents the opportunities and risks connected with future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they regard as necessary to enable preparation of a consolidated management report in accordance with the applicable German statutory requirements and to provide sufficient and appropriate evidence for the statements made in the consolidated management report.

The Supervisory Board is responsible for monitoring the accounting process used by the Group to prepare the consolidated financial statements and the consolidated management report.

RESPONSIBILITY OF THE AUDITOR FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

Our aim is to acquire reasonable assurance as to whether the consolidated financial statements as a whole are free from significant misrepresentations (whether intentional or unintentional) and as to whether or not the consolidated management report as a whole provides an accurate overall picture of the position of the Group, is consistent with the consolidated financial statements and the findings gleaned during the audit in all significant respects, complies with German statutory requirements and accurately presents the opportunities and risks connected with future development – and to issue an audit opinion that contains our audit findings in respect of the consolidated financial statements and consolidated management report.

Reasonable assurance is a high degree of assurance, but not a guarantee that an audit conducted in accordance with Section 317 HGB, paying due regard to the principles of proper end-of-year audits set out by Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW), will always identify a significant misrepresentation. Misrepresentations may result from infringements or inaccuracies and are regarded as significant if it could reasonably be expected that they would – whether taken individually or in aggregate – influence the economic decisions taken by addressees on the basis of these consolidated financial statements and this consolidated management report.

During the audit, we exercise due care and discretion and maintain professional scepticism. Furthermore, we

- identify and assess the risks of significant misrepresentations (whether intentional or unintentional) in the consolidated financial statements and the consolidated management report, plan and execute audit activities as a response to these risks and obtain audit evidence that is sufficient and appropriate as a basis for our audit findings. The risk of a significant misrepresentation not being identified is higher in the event of infringements than in the event of inaccuracies, as infringements may involve fraudulent conspiracy, forgeries, the deliberate withholding of information, misleading representations and/or the abrogation of internal controls;
- gain an understanding of the internal control systems relevant for the audit of the consolidated financial statements and the precautions and measures relevant for the audit of the consolidated management report in order to plan audit activities that are appropriate to the circumstances, but not with a view to issuing an audit opinion in respect of the effectiveness of these systems;
- evaluate the appropriateness of the accounting methods applied by the legal representatives and the validity of the estimated values and associated disclosures presented by the legal representatives;
- draw conclusions about the appropriateness of the going concern principle of accounting applied by the legal representatives and, on the basis of the audit evidence obtained, draw conclusions as to whether there is significant uncertainty in relation to events or circumstances that could cast significant doubt on the ability of the Group to operate as a going concern. If we come to the conclusion that significant uncertainty exists, we are obliged, in the audit opinion, to draw attention to the corresponding disclosures in the consolidated financial statements and consolidated management report or, if these disclosures are inappropriate, to modify our audit findings in respect hereof. We base our conclusions on the audit evidence we have obtained prior to issuing our audit opinion. However, future events or circumstances may result in the Group being unable to continue operating as a going concern;

- assess the overall presentation as well as the structure and content of the consolidated financial statements, including the disclosures, and assess whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements, paying due regard to IFRS (as applicable in the EU) and the applicable supplementary provisions of German law pursuant to Section 315e (1) HGB, provide a true and fair view of the Group's asset, earnings and financial position.
- obtain sufficient and appropriate audit evidence for the accounting information pertaining to companies or business activities within the Group in order to issue audit findings in respect of the consolidated financial statements and consolidated management report. We are responsible for directing, monitoring and conducting the audit of the consolidated financial statements. We bear sole responsibility for our audit findings;
- evaluate the consistency of the consolidated management report with the consolidated financial statements, its compliance with legislation and its presentation of the Group's position;
- carry out audit activities in respect of the forward-looking statements made by the legal representatives in the consolidated management report. On the basis of sufficient and appropriate audit evidence, we examine, in particular, the significant assumptions underlying the forward-looking statements made by the legal representatives and assess whether the forward-looking statements have been derived appropriately from these assumptions. We do not issue a separate audit opinion on either the forward-looking statements or the assumptions on which they are based. There is a considerable and unavoidable risk that future events will deviate significantly from forward-looking statements.

We discuss, with the officers responsible for monitoring, aspects such as the planned extent and scheduling of the audit and significant audit findings (including any shortcomings in internal control systems that we identify during our audit)."

Munich, April 29, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Horbach	Ehrnböck
(Auditor)	(Auditor)

FINANCIAL CALENDAR

May 15, 2019
Publication of the first Interim Report 2019

July 4, 2019
Annual General Meeting in Ingolstadt

August 7, 2019
Publication of the half-year Report 2019

September 3, 2019
SRC-Forum Financial & Real Estate 2019 in Frankfurt

September 17/18, 2019
Degroof Petercam's Real Estate Seminar in Brussels

September 23, 2019
Berenberg and Goldman Sachs Eighth German Corporate Conference 2019 in Munich

September 25, 2019
Baader Investment Conference in Munich

November 6, 2019
Publication of the second Interim Report 2019

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IMPRINT

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Concept, Design and Text

Kirchhoff Consult AG

Print

Omb2 Print GmbH, Munich

Pictures

Picture Library of VIB Vermögen AG

KEY GROUP INDICATORS 5-YEAR OVERVIEW

IN EUR THOUSAND	2014	2015	2016	2017	**2018**
Income statement					
Revenue	69,869	75,133	79,549	83,550	86,789
Changes in value for investment properties	7,529	16,410	18,018	17,380	19,454
EBT (earnings before tax)	38,306	52,788	58,820	64,453	71,200
EBT excluding valuation effects and extraordinary items	31,179	36,510	40,802	47,073	51,746
Consolidated net income	32,404	44,047	49,403	53,938	59,895
Earnings per share (in EUR), undiluted/diluted	1.23	1.46	1.71	1.87	2.09
Balance sheet					
Total assets	942,199	1,009,352	1,116,768	1,153,741	1,234,908
Investment properties	894,214	969,022	1,061,773	1,096,724	1,182,548
Equity	371,655	406,754	443,527	483,355	527,593
Equity ratio (in %)	39.4	40.3	39.7	41.9	42.7
Net debt	484,560	517,393	574,917	570,452	610,098
LTV (loan-to-value ratio, in %)	53.7	53.1	53.6	51.4	51.0
NAV (net asset value), undiluted	360,480	412,765	470,117	512,547	559,949
NAV per share (in EUR), undiluted	14.54	15.69	17.05	18.58	20.30
Other key financials					
FFO (funds from operations)	28,592	32,599	35,767	41,194	45,298
FFO per share (in EUR)	1.13	1.18	1.30	1.49	1.64
Share price (Xetra closing price, in EUR)	14.24	17.10	19.67	21.20	21.20
Number of shares (reporting date: 31/12)	24,783,906	26,308,405	27,579,779	27,579,779	27,579,779
Market capitalisation (reporting date: 31/12)	352,923	449,874	542,494	584,691	584,691
Dividend per share (in EUR)	0.48	0.51	0.55	0.60	0.65 [1]
ICR (interest coverage ratio: interest expense/ net basic rents, in %)	34.4	31.7	30.0	24.4	21.1
Average borrowing rate (in %)	3.91	3.67	3.11	2.55	2.33
Real estate KPIs					
Annualised net basic rents	62,717	68,027	70,841	73,615	78,249
Vacancy rate (in %)	2.7	1.8	1.3	0.8	0.7
Rentable space (in sqm)	928,012	1,003,959	1,042,769	1,060,896	1,123,271
Rental yield (in %)	7.25	7.24	7.14	7.09	7.02
Average remaining term of rental agreements (in years)	6.6	6.3	5.7	5.2	5.4
EPRA performance indicators					
EPRA earnings	25,502	29,056	32,587	37,620	41,777
EPRA earnings per share (in EUR)	1.00	1.05	1.18	1.36	1.51
EPRA NAV	400,403	431,160	470,117	512,547	559,949
EPRA NAV per share (in EUR)	14.52	15.63	17.05	18.58	20.30
EPRA vacancy rate (in %)	2.7	1.8	1.3	0.8	0.7
EPRA net initial yield (in %)		6.7	6.6	6.6	6.7
EPRA cost ratio (in %)		14.0	12.4	12.1	11.9

[1] Management proposal

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