Annual Report 2019

VALUES BUILT ON FORESIGHT

VIB Vermögen AG

KEY GROUP INDICATORS

IN EUR THOUSAND	2019	2018	Absolute change	Change in %
Income statement				
Revenue	90,995	86,789	4,206	+4.8
Changes in value for investment properties	22,319	19,454	2,865	+14.7
EBT (earnings before tax)	78,287	71,200	7,087	+10
EBT excluding valuation effects and extraordinary items	55,968	51,746	4,222	+8.2
Consolidated net income	65,411	59,895	5,516	+9.2
Earnings per share[1] (in EUR), undiluted/diluted	2.29	2.09	0.20	+9.6
Balance sheet				
Total assets	1,359,731	1,234,908	124,823	+10.1
Investment properties	1,296,352	1,182,548	113,804	+9.6
Equity	577,295	527,593	49,702	+9.4
Equity ratio (in %)	42.5	42.7		−0.2 pt.
Net debt	671,864	610,098	61,766	+10.1
LTV (loan-to-value ratio, in %)	51.0	51.0		0 pt.
NAV (net asset value), undiluted/diluted	612,974	559,949	53,025	+9.5
NAV per share[2] (in EUR), undiluted/diluted	22.23	20.30	1.93	+9.5
Other key financials				
FFO (funds from operations)	48,929	45,298	3,631	+8
FFO per share[1] (in EUR)	1.77	1.64	0.13	+7.9
Share price (Xetra closing price, in EUR)	29.80	21.20	8.60	+40.6
Number of shares[2] (reporting date: 31/12)	27,579,779	27,579,779	0	0
Market capitalisation (reporting date: 31/12)	821,877	584,691	237,186	+40.6
ICR (interest coverage ratio, interest expense/net basic rents, in %)	19.1	21.1		−2 pt.
Average borrowing rate (in %)	2.1	2.33		−0.23 pt.
Real estate KPIs				
Annualised net basic rents	81,321	78,249	3,072	+3.9
Vacancy rate (in %)	1.0	0.7		+0.3 pt.
Rentable space (in sqm)	1,162,586	1,123,271	39,315	+3.5
EPRA performance indicators				
EPRA earnings	44,762	41,777	2,985	+7.1
EPRA earnings per share (in EUR)	1.62	1.51	0.11	+7.3
EPRA NAV	612,974	559,949	53,025	+9.5
EPRA NAV per share (in EUR)	22.23	20.30	1.93	+9.5
EPRA vacancy rate (in %)	1.0	0.7		+0.3 pt.

[1] Average number of shares in the financial year
[2] Number of shares in circulation on the reporting date

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 in the logistics/light industry and retail sectors (especially local amenities, garden centres and home improvement stores) in the economically strong southern German region. Our portfolio now comprises 109 properties with a total rentable area of more than 1.2 million sqm – and a market value of some EUR 1.3 billion. As a result, we are one of the leading portfolio holders in the German market for logistics properties.

Thanks to our business model, we can respond flexibly to market changes. In light of the high prices currently being witnessed, for example, we are extremely selective in terms of acquiring existing properties and mainly focus on a combination of in-house developments and redensification projects within our existing portfolio.

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LETTER TO THE SHAREHOLDERS

**DEAR SHAREHOLDERS,
DEAR SIR OR MADAM,**

In the 2019 fiscal year, we met our targets in respect of the key earnings indicators in full, continued our profitable growth trajectory and further strengthened the foundation of VIB. Revenue climbed to a new record high, coming in at just under EUR 91.0 million. The same applies for the rentable space in our property portfolio, which we expanded to 109 properties, with a total rental area of some 1.2 million sqm, in the reporting period. What's more, we did so without sacrificing our low vacancy rate of approx. 1%. The market value of our commercial properties reached some EUR 1.3 billion at year end. By virtue of our solid financing structure, we once again increased the net asset value of the company. As of the balance sheet date of December 31, 2019, this net asset value (NAV) came in at EUR 613.0 million, which also represents a new all-time high.

In the company's 26th year, we therefore put VIB Vermögen AG on a strong footing to face what is currently a challenging economic environment.

FORWARD-LOOKING AND SUSTAINABLE

Since our flotation some 15 years ago, we have managed to continuously increase the value of the company. We act sustainably and with foresight, giving VIB Vermögen the maximum possible degree of financial stability. As a result, we have earned the trust of our shareholders, tenants and business partners. This is particularly true of banks, who offer us attractive financing options in respect of our investment projects. This applies irrespective of whether these projects relate to acquisitions of existing properties, the completion of in-house developments or to redensification.

In the year under review, we successfully completed numerous transactions in all of the three areas mentioned above – and did so at attractive financing terms. These transactions include the largest development project in the history of the company. With completion scheduled for the end of 2020, this will comprise some 115,000 sqm of rental space, including our first-ever two-storey logistics facility. The project is situated at Interpark Kösching, near Ingolstadt. A further example is the acquisition of a commercial property in Göppingen in Baden-Württemberg. Our anchor tenant Dehner is renting the property for 20 years and, following conversion, will operate a garden centre at the site. This will be the 16th property of this kind for Dehner within our portfolio. We also acquired a logistics property in Thuringia, with the plot offering potential for subsequent redensification. Through these and other transactions, we expanded our portfolio by some 40,000 sqm during the reporting period.

The 2019 fiscal year also saw correspondingly positive growth in all key indicators, with these indicators meeting our expectations in full to chime with our forecasts for 2019. Our revenue increased by 4.8% to some EUR 91.0 million, which represents a new all-time high for VIB. We achieved an even more impressive increase in earnings before tax (EBT), which climbed by 8.2% to some EUR 56.0 million. Funds from operations (FFO) – as an indicator of cash inflow and the profitability of real estate companies – also climbed further to EUR 48.9 million.

"BY VIRTUE OF OUR OUTSTANDING EXPERTISE IN THE DEVELOPMENT OF MODERN LOGISTICS PROPERTIES, WE ONCE AGAIN MANAGED TO INCREASE THE NET ASSET VALUE OF OUR COMPANY."

MARTIN PFANDZELTER, CEO

"WE ACT IN A FORWARD-LOOKING AND SUSTAINABLE MANNER, THUS PROVIDING VIB VERMÖGEN WITH THE BEST-POSSIBLE FOUNDATION FOR HEALTHY GROWTH."

HOLGER PILGENRÖTHER, CFO

We want our shareholders to share in the successful performance of VIB Vermögen. We will be proposing a dividend increase to the Annual General Meeting for the eleventh time in a row. This year, the dividend is set to rise by EUR 0.05 to EUR 0.70 per share.

Despite rising property prices and a dwindling supply of suitable available sites, we believe that we are in a strong position for the future. We possess a pipeline of undeveloped sites and see further potential for the redensification of our existing portfolio. We also have funds at our disposal to facilitate acquisitions of existing properties. In 2019, we also set up a joint venture with Belgian logistics company WDP. The aim of the partnership is to develop logistics properties in North Rhine-Westphalia, Bremen and Hamburg, with both firms as equal partners. As such, we aim to complement our investment focus on southern Germany with promising sites in northern Germany. We already secured a promising project – at an industrial estate in Gelsenkirchen – in December 2019.

For the 2020 fiscal year, we expect revenue to rise to between EUR 91.0 million and EUR 97.0 million. EBT, before valuation effects and extraordinary items, is expected to reach between EUR 55.0 million and EUR 59.0 million. We expect a rise in FFO to between EUR 48.0 million and EUR 52.0 million. These estimates do not take into account the effects of the current coronavirus crisis on the company, as we are unable to realistically estimate these at the current time.

We are currently working with our business partners to find the individual solutions necessitated by the coronavirus crisis – and therefore to arrive at comprimises that are fair to both parties.

Finally, and this is perhaps all the more important in the current challenging economic environment, we would like to turn our attention to the factors that have underpinned the success of the company over the past 27 years. One of the most important factors is our employees, whose commitment day in, day out, lays the foundation for our success. We would also like to thank our business partners, who have been placing their trust in us for many years. We are also very grateful for the loyalty of our shareholders.

We would be delighted if you were to continue to accompany us as we chart our future course.

Yours faithfully,

Neuburg/Danube, April 29, 2020

Martin Pfandzelter
(CEO)

Holger Pilgenröther
(CFO)

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

VIB Vermögen AG once again continued its growth trajectory in its 25th anniversary year, with all results improving year-on-year. Thanks to new development projects, direct acquisitions and the optimisation of existing sites, the portfolio comprised 1,163 thousand sqm of rentable space – which is virtually fully let – as of December 31, 2019. On account of successful portfolio management and targeted, profitable investments – which had a highly positive impact on the overall course of business – we are planning to propose our eleventh dividend increase to the Annual General Meeting this year.

As the Supervisory Board of the company, we are delighted by this positive performance in all areas. We therefore continue to give the Managing Board our unqualified support in terms of pursuing the chosen growth strategy.

In the 2019 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:

SUPERVISION OF MANAGEMENT AND COOPERATION WITH THE MANAGING BOARD

The size of the Supervisory Board was increased by one member to reflect the company's strong performance in recent years. Since July 2019, the Supervisory Board has consisted of four members.

Throughout the entire fiscal year, the Supervisory Board supervised and advised the Managing Board in respect of the management of the company. The Supervisory Board was involved in all key decisions, such as the implementation of new development projects, the acquisition of completed properties and the conversion of bearer shares to registered shares. The Managing Board's activities gave rise to no objections. The Managing Board informed the Supervisory Board regularly, promptly and in detail about all topics concerning the company's business activities. 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 2019, which were attended by all Supervisory Board members. The sole exception was the meeting in December, which Mr Schmidbauer was unable to attend due to illness.

- The first meeting, which was held on March 26, 2019, 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, 2018, and corporate strategy. The forecast for the 2019 fiscal year, which was published on the following day together with the interim results, was also determined at the meeting. The Supervisory Board was also informed of the planned taking out of a further promissory note loan. In terms of property activities, the Supervisory Board received detailed and comprehensive information on the performance of investment properties in 2019 and was updated on the status of development projects currently being implemented.
- At the balance sheet meeting on April 29, 2019, 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 0.65 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, 2019. The Supervisory Board was also informed of the successful placement of the promissory note loan. Finally, the Supervisory Board was updated on the current status of property development projects and on planned acquisitions of existing properties.
- The third Supervisory Board meeting, held on July 2, 2019, focused on the Annual General Meeting. The Managing Board provided the Supervisory Board with detailed information on topics such as the registration list and the proxies appointed. In terms of property activities, the Supervisory Board was given comprehensive information on ongoing projects and planned land acquisitions.
- The fourth Supervisory Board meeting was held on August 6, 2019. The main issues discussed at this meeting were the course of business in the first half of 2019, as well as the risk management and control report for the period up to June 30, 2019. In terms of property activities, the Supervisory Board was informed of the current progress of ongoing development projects, as well as the intention to sell a property.

- The main areas of focus at the fifth meeting, which was held on October 23, 2019, were the course of business for the period up to September 30, 2019, on the basis of interim figures, as well as current projects and plans for reserved plots. With Mr Schmidbauer having stepped down as the Chairman of the Supervisory Board, a new Chairman was elected. Mr Ludwig Schlosser, who had been elected to the Supervisory Board at the previous year's Annual General Meeting, was unanimously elected as the Chairman of the Supervisory Board.
- The following items were on the agenda at the sixth meeting, which was held on December 17, 2019: the Supervisory Board assessed the course of business in the 2019 fiscal year on the basis of interim figures. In terms of property activities, it focused on the successful completion of the development projects at Interpark Kösching and in Schwarzenbruck. Both properties were handed over to the tenants on schedule. Furthermore, the Supervisory Board was informed of the planned acquisition of a further reserved plot and the current status of negotiations with a potential tenant for this plot, and gave its approval. In another agenda item, the Supervisory Board 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. The Supervisory Board discussed in detail the planned joint venture with WDP and agreed to sign the contract.

COMMITTEES

As before, no committees were formed due to the small size (for efficiency reasons) of the Supervisory Board in 2019.

2019 SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Supervisory Board reviewed the annual financial statements as of December 31, 2019, which the Managing Board prepared according to German commercial law regulations, and discussed them, together with the corresponding audit report prepared by E&Y Wirtschaftsprüfungsgesellschaft, Munich – represented by auditor Patrick Horbach – at its meeting on April 29, 2020. The review of the 2019 annual financial statements led to no modifications, and an unqualified audit opinion was issued. The annual financial statements as of December 31, 2019, were approved without objections and are thereby adopted. The Supervisory Board concurred with the Managing Board's proposal concerning the application of retained earnings.

The Supervisory Board also reviewed the 2019 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 E&Y Wirtschaftsprüfungsgesellschaft, Munich – represented by auditor Patrick Horbach – at its meeting on April 29, 2020. The audit of the 2019 consolidated financial statements also resulted in no amendments, with an unqualified audit opinion being issued and the consolidated financial statements as of December 31, 2019, being approved by the Supervisory Board.

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, 2020

on behalf of the Supervisory Board

Franz-Xaver Schmidbauer
(Chairman until October 23, 2019)

Ludwig Schlosser
(Chairman since October 23, 2019)

OUR BUSINESS MODEL

FLEXIBILITY AS THE CORNERSTONE OF OUR SUCCESS

Commercial properties are an attractive option for a profitable investment. **A decisive factor in terms of profitability is the flexibility in terms of developing and expanding a property portfolio, the choice of industry and financing.** Companies that respond quickly to changing conditions are able to make lucrative use of the opportunities that arise. Here at VIB, we have structured ourselves in such a way that all opportunities are open to us.

In particular, we ask ourselves the following questions:

PORTFOLIO EXPANSION:

01 › What makes our property portfolio grow sustainably?

SECTOR FOCUS:

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

FINANCING:

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

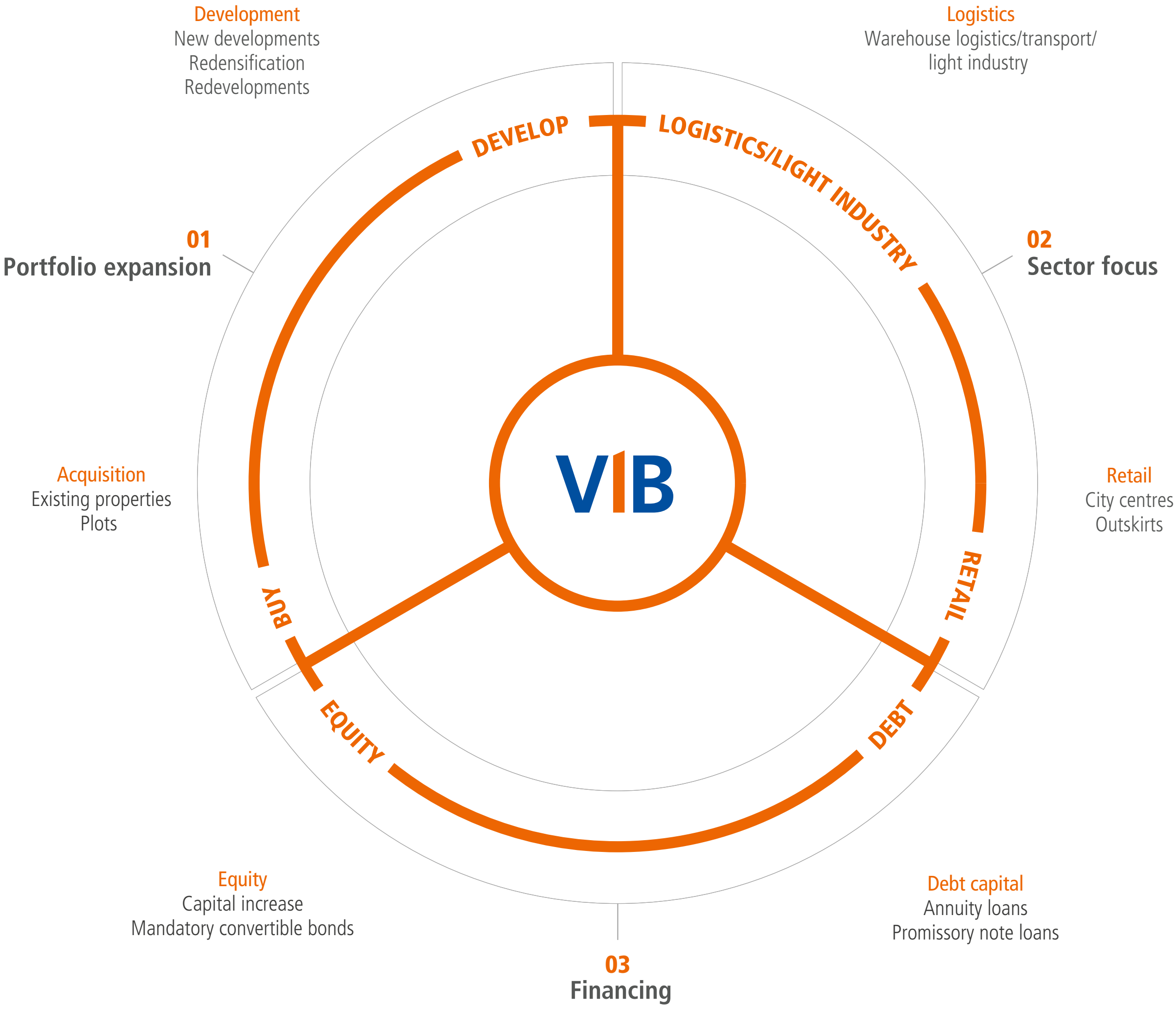
The prices for existing properties have risen considerably in recent years. We have responded to this trend and the changing environment by shifting the focus of our portfolio expansion to **in-house developments**. We can optimise our portfolio by means of **redensification projects** at existing properties and by developing plots secured at an early stage. **Value-increasing renovation work** also helps to optimise the portfolio. By virtue of our expertise and our well-developed network, we can also expand our portfolio through **direct acquisitions** of completed properties. As such, we harness all available options in terms of the optimum structure of a property portfolio.

For us, another crucial aspect is the **usage type of our properties/the sector classification of our tenants**. Here, we focus primarily on the **sectors of logistics/light industry and retail**. We possess long-standing experience in both sectors, as well as an excellent sense of tenant needs and the latest market trends.

Alongside **letting on favourable terms, the financing** of a property also forms the cornerstone of **profitability**. When it comes to financing, we can harness both equity and debt financing, striking the right balance in terms of the financing structure. On the debt financing side, we primarily rely on annuity loans and on 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 capital measures offered by the international capital markets, depending on the market situation.

The flexibility in the three areas described offers a strong foundation to keep **increasing the value of the company continuously and sustainably**. In turn, this is the basis for allowing our shareholders to share in the growth of VIB Vermögen AG in the form of a dividend payment.

THE THREE STRATEGIC CORE COMPONENTS OF OUR BUSINESS MODEL



THE PROPERTY PORTFOLIO IN 2019

Our business model is based on three pillars: direct acquisition, in-house development and redensification. Following a detailed analysis of the market situation, we decide in a flexible manner which of the three pillars can be built upon most profitably. In the 2019 fiscal year, we strengthened our position in all three areas.

KÖSCHING

We reported our largest development project to date at the start of the fiscal year. We were able to attract a long-term tenant for the second construction phase at the existing portfolio site on Zeppelinstrasse, at Interpark Kösching. For the first time ever in the history of VIB, we will build a two-storey industrial facility, which represents a flagship project in the region and beyond. Thanks to this pioneering concept, we are able to use the site in the most efficient and sustainable way in an era of increasing land scarcity. On a site measuring 112,000 sqm, rentable space of some 115,000 sqm is being developed, which is let to two leading automotive manufacturers on a long-term basis. The investment volume stands at approximately EUR 100 million. The first construction phase, with a rentable area of approximately 27,500 sqm, was handed over to the tenant in December 2019. We anticipate completion of the second construction phase in late 2020. Interpark Kösching, which boasts an outstanding infrastructure, is a highly attractive investment location for our Group. We are now the largest landlord, with a total area of 165,741 sqm. The tenants come from a range of industries. The early rental agreement renewal with our then second-largest tenant, which we reported in summer 2018, illustrates just how attractive the site is for the company. The contracts for a rental area of roughly 41,000 sqm run until the end of 2029.








KÖSCHING
Here, we are currently building our flagship project, a two-storey industrial facility, at Interpark near Ingolstadt.

EHNINGEN

Following conversion in line with the latest standards, 9,100 sqm of attractive logistics space will be available.

GÖPPINGEN

Evidence of our good relations with our tenants comes in the form of a further significant rental agreement renewal, which we have concluded with our largest tenant: the garden centre chain Dehner. Here, we were once again able to extend the contracts early – and they now run until 2032. We also acquired a property in the town of Göppingen in Baden-Württemberg, which Dehner has rented for the next 20 years. The property is currently being converted in line with the latest design standards for garden centres and is expected to be handed over in the first quarter of this year. The investment volume stands at approximately EUR 14.3 million. The rentable space is 10,170 sqm. As such, Dehner is the tenant of 16 properties within our portfolio.

EHNINGEN

In Ehningen (Baden-Württemberg) in the growth region of Stuttgart, we have acquired a property that is currently being converted to meet the latest standards for logistics facilities. Following completion, the property will boast rentable area of approximately 9,100 sqm. The investment volume was approximately EUR 7.5 million.

SEUBTENDORF/TANNA

In Seubtendorf/Tanna in Thuringia, we acquired a logistics property for an investment volume of EUR 16.9 million as part of a sale-and-lease-back transaction; this property is let on a long-term basis to our third-largest tenant to date, the Geis Group. The rentable area of 19,500 sqm is split amongst three industrial spaces. On account of the plot size of some 74,000 sqm, this property offers potential for subsequent redensification.

SCHWARZENBRUCK

Following the highly successful development project in the Franconian town of Schwarzenbruck – in which we built a logistics facility with a rentable area of approximately 31,000 sqm – we also built a logistics facility on the second plot. Both properties were fully let prior to completion. The investment volume for the roughly 9,400 sqm rentable space stood at EUR 7.2 million.

REGENSBURG

Thanks to the construction of two attractive office complexes and a multistorey car park, extremely efficient use has been made of the site.

JOINT VENTURE WITH WDP

As part of our corporate strategy, which is geared towards sustainable growth, we have decided to broaden our regional focus and to expand our operations to the growth region of North Rhine-Westphalia. Taking into account the balanced mix of opportunities and risks that go hand in hand with long-term expansion, we have found a highly attractive partner for this project. By virtue of a joint venture with the WDP Group, a listed Belgian property company, we have successfully combined the long-standing tenant relations and development expertise of two major listed providers of logistics properties, thus laying the ideal foundation for successful market entry into a new region. This new region is concentrated on North Rhine-Westphalia, Hamburg and Bremen.

As equal partners, we will jointly develop properties for our clients that meet our Group's current standards in terms of what constitutes an attractive investment.

We have already identified our first joint project and have acquired a highly attractive site for future use through WVI GmbH. The site in **Gelsenkirchen** measures 80,000 sqm and has been earmarked for the development of two logistics spaces with a total area of some 40,000 sqm. Due to the ongoing clean-up of the site, construction is expected to begin in the fourth quarter of 2020.

REGENSBURG

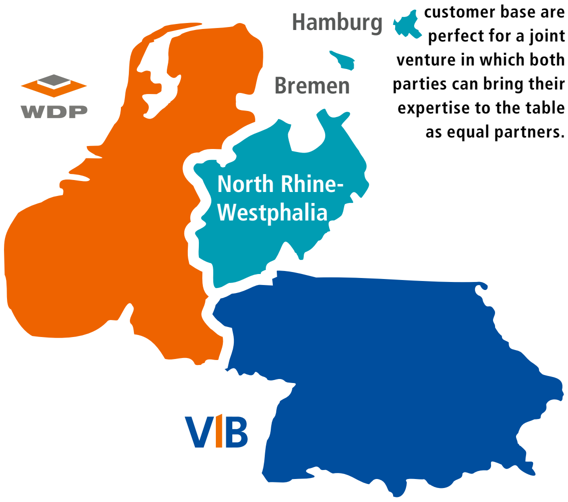
We are active in the area of redensification in the Bavarian town of Regensburg. In a construction phase of 15 months, we built two modern office blocks and a multistorey car park on a gravel area used for parking at the businessPark site. The rental area gained amounts to a total of 3,700 sqm. 742 parking spaces were created in the car park. The properties were already let for attractive rental periods prior to the start of construction. The total investment volume stood at EUR 10.3 million.

MEMMINGEN

As part of portfolio optimisation, we have sold the two buildings in Memmingen (Bavaria) that were used together as retail and office space with an area of some 10,000 sqm. A non-disclosure agreement has been concluded with the buyer in respect of the details of the transaction.

JOINT VENTURE

The geographic location of both companies and, as a result, the customer base are perfect for a joint venture in which both parties can bring their expertise to the table as equal partners.

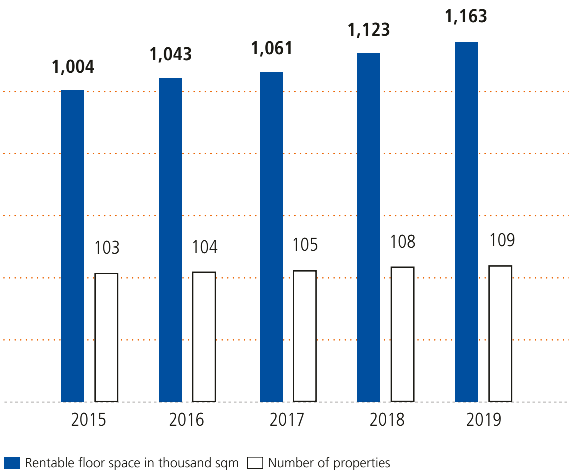


PORTFOLIO KPIS AS OF DECEMBER 31, 2019

As of year end 2019, our property portfolio comprised 109 properties with a rentable area of 1.16 million sqm. Including properties under construction, the portfolio value stood at EUR 1,296 million. This represents a year-on-year increase of EUR 114 million, or 9.6%.

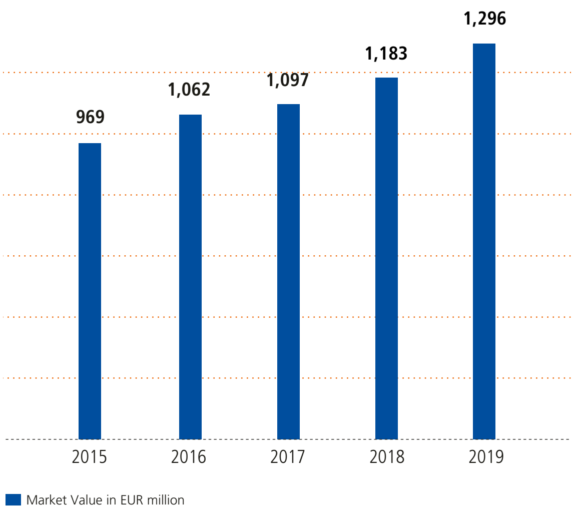
TREND IN RENTABLE AREA AND NUMBER OF PROPERTIES

VALUE AS OF YEAR-END



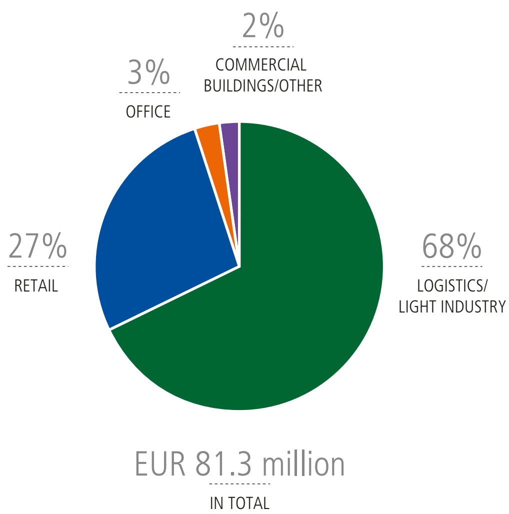
5-YEAR SUMMARY OF THE PORTFOLIO MARKET VALUE

VALUE AS OF YEAR-END



Compared to the previous year, we increased annualised net rental income by EUR 3.0 million, from EUR 78.3 million to EUR 81.3 million, by means of portfolio expansion and rental indexing.

BREAKDOWN OF ANNUALISED NET RENTAL INCOME 2019



When measured by area, 68% of our properties are attributable to the logistics/light industry sector, with 27% falling within the retail sector (which can be broken down into garden centres (12%) and retail parks (15%)). The portfolio is rounded off by 3% office space and 2% properties in the "commercial/other" segment. Our focus is therefore clearly on the two growth sectors of logistics/ light industry and retail.

ATTRACTIVE RENTAL YIELDS

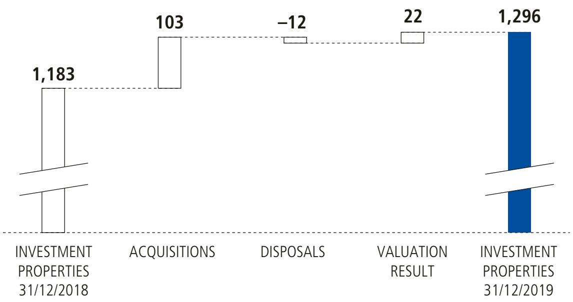
In order to calculate a realistic and sustainable value for our properties, we have our portfolio valued at least once a year by an external appraiser using the generally accepted discounted cash flow method. This year, the valuation as of December 31, 2019, indicated average return on rent of 6.92% for our property portfolio. This figure stood at 7.02% in the previous year. In the 2019 fiscal year, we once again sold a property at its carrying amount, which underscores the value retention of our portfolio.

GROWTH ON THE BASIS OF A FLEXIBLE BUSINESS MODEL

The flexibility of our business model enables us to respond quickly to changes on the property market. We continuously expand our portfolio by means of the in-house development of attractive properties – particularly for the logistics/light industry sector – as well as through direct acquisitions and portfolio optimisation (chiefly redensification). 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.

DEVELOPMENT OF PORTFOLIO MARKET VALUE DURING THE YEAR

IN EUR MILLION



SOLID AND BALANCED FINANCING STRUCTURE

The investment volume and the profitable letting of a property play a role in terms of generating profitable and sustainable commercial success based on real estate. The other key factor is the solid and balanced financing of the property portfolio. 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 tap into 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 shareholders and investors.

As of the end of the year, the average interest rate for the Group's total portfolio of borrowings stood at 2.10%, compared with 2.33% in the previous year.

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.

As of December 31, 2019, the LTV ratio stood at 51.0%, compared with 51.0% as of December 31, 2018. With the inclusion of the operating profit generated and our regular loan repayments, NAV increased by 9.5%, from EUR 560.0 million to EUR 613.0 million, as of December 31, 2019.

SHARE AND INVESTOR RELATIONS

The conversion of bearer shares to registered shares was approved at the Annual General Meeting held on July 4, 2019. Since mid September 2019, our share has been traded under the ISIN DE000A2YPDD0.

Overall, 2019 was a good year for the stock markets, with significant gains recorded. The German lead index (DAX) rose to 13,249 points at year end, thus closing 25.5% higher than on the last day of trading in 2018. The SDAX and EPRA Germany indices also rose, achieving value increases of 10% and 29% respectively. The VIB share price also performed extremely strong in the 2019 fiscal year. It rose by 40.6%, or EUR 8.60, and closed the year at EUR 29.80. The main driver of rising stock markets was the low interest rate level, which is expected to remain low for the foreseeable future on account of declining economic growth. On January 23, 2020, the European Central Bank (ECB) also announced that the key interest rate for the eurozone will remain unchanged at 0.0% for the time being. As such, shares continue to represent an attractive investment option.

Prior to the impact of the coronavirus crisis on stock markets around the world, our share once again performed impressively. It reached its highest closing price of EUR 32.95 on February 14, 2020, and therefore improved by more than 10% on the 2019 annual closing price of EUR 29.80. Due to the stock market uncertainty caused by the coronavirus crisis, our share price came under pressure and stood at EUR 22.80 at the end of the first quarter.

KEY DATA AND SHARE INDICATORS

KEY DATA

Sector	Property
Securities identification number (within Germany)	A2YPDD
ISIN	DE000A2YPDD0
Stock symbol	VIH1
Initial listing	November 28, 2005
Stock exchanges	Munich: open market (m:access) Frankfurt: open market/XETRA
Share type	No-par-value registered shares

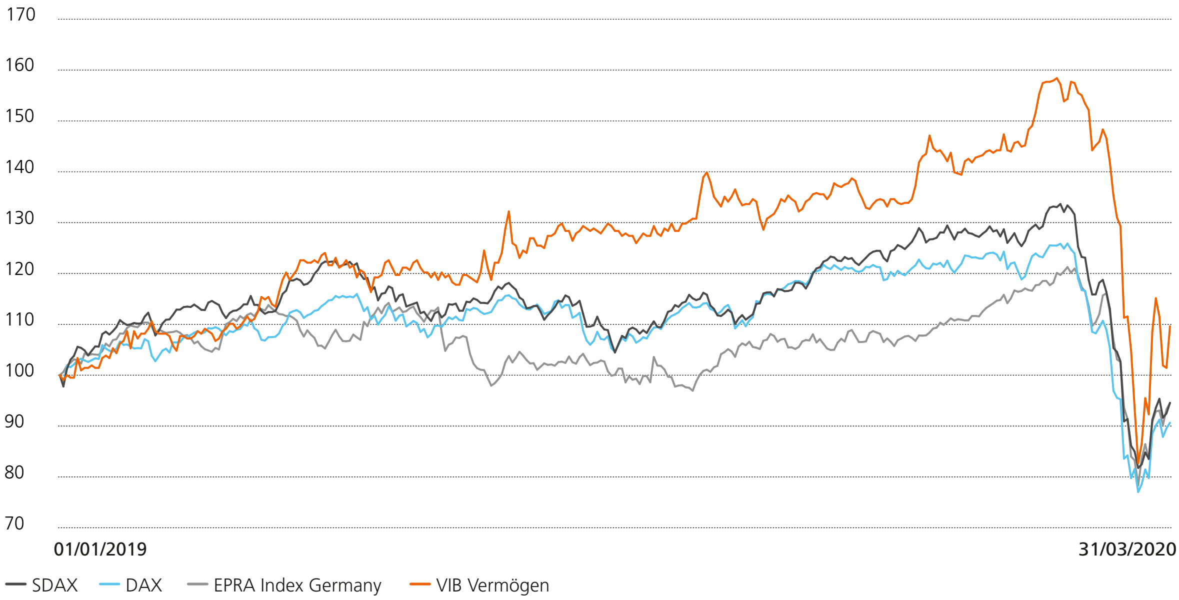
SHARE INDICATORS AS OF 31/12/2019

Subscribed share capital	EUR 27,579,779
Nominal value per share	EUR 1.00
Number of outstanding shares	27,579,779 shares
Net asset value (NAV) per share (undiluted)	EUR 22.23
Balance sheet equity (consolidated)	EUR 462,034 thousand
Dividend per ordinary share for the 2019 financial year	EUR 0.70[1]
Closing price as of 31/12/2018	EUR 21.20
Closing price as of 31/12/2019	EUR 29.80
Annual high	EUR 30.60
Annual low	EUR 20.60
Average daily trading volume in 2019[2]	34,800 shares
Market capitalisation (31/12/2019)	EUR 821.9 million

[1] Management proposal
[2] XETRA and all stock exchanges

SHARE PRICE DEVELOPMENT

SINCE 01/01/2019 (INDEXED COMPARISON WITH EPRA AND THE DAX AND SDAX INDICES, IN %)



SHARE PRICE DEVELOPMENT IN 2019

The VIB share price exhibited very solid upward growth in the 2019 financial year. In terms of longer-term share price development, the value of the share has increased by 109% over a five-year period. Its value has risen by 359% over a ten-year period.

VALUE DEVELOPMENT OVER TIME

	1 year	5 years	10 years
DAX (share price index)	22%	17%	64%
SDAX (share price index)	29%	59%	187%
EPRA Germany	10%	75%	220%
VIB Vermögen AG	41%	109%	359%

THE VIB SHARE IS SYNONYMOUS WITH SUSTAINABLE DIVIDEND GROWTH

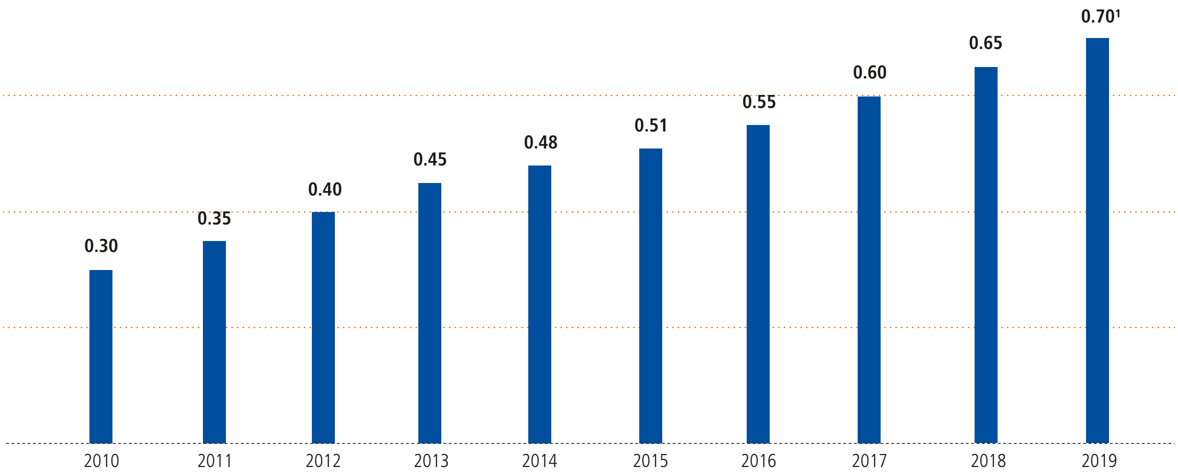
We are currently in a period of low interest rates, making shares an attractive investment option. Alongside the positive share price development, investors also profit from our commercial success in the form of a dividend payment. The VIB share is a sustainable payer of dividends: ever since its flotation in 2005, VIB Vermögen AG has allowed its shareholders to share in the company's profitable growth by paying out a dividend every year. Furthermore, the company also plans to increase the dividend for the eleventh time in a row.

The Managing and Supervisory Boards plan to propose to the Annual General Meeting on July 2, 2020, that a dividend of EUR 0.70 per share be paid for the 2019 fiscal year. This corresponds to a year-on-year increase of EUR 0.05, or 7.7%, and a total distributable amount of EUR 19.3 million. Based on the closing price for the year of the VIB share, it also equates to a dividend yield of 2.3%.

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 40% of generated FFO, we are once again within the long-term target range of 40–45% for 2019.

DIVIDEND GROWTH PER SHARE

IN EUR



¹ Management proposal

MARKET CAPITALISATION OF ROUGHLY EUR 822 MILLION

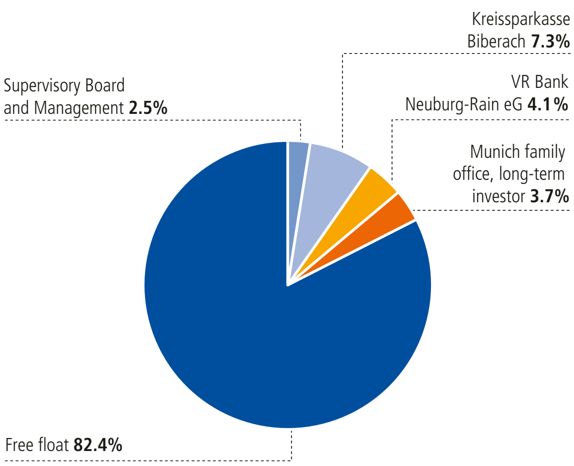
Based on the total number of shares, which remained unchanged against the previous year at 27,579,779, and the closing price of EUR 29.80 on December 30, 2019, market capitalisation stood at approximately EUR 822 million at the end of the year.

BALANCED SHAREHOLDER STRUCTURE

The conversion to registered shares in the 2019 fiscal year has provided us with additional possibilities for communicating directly with our shareholders, which is something we regard as a key pillar of IR work and which we will gradually build upon.

Our shareholder structure is distinguished by a balanced mix of free float, major/private investors and institutional investors. This ensures stability. 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 7.3% share of voting rights and a Munich-based family office with a 3.7% share of voting rights. 2.5% of voting rights are held by the Supervisory Board and the Management of VIB Vermögen AG. As of the end of the 2019 fiscal year, the free float of VIB Vermögen AG stood at 82.4%.

SHAREHOLDER STRUCTURE



As of 31/12/2019

ANALYSTS CONTINUE TO RECOMMEND BUYING THE VIB VERMÖGEN SHARE

In the 2019 fiscal year, our share was regularly covered by seven national and international banks and research houses. Virtually all the analysts testified to the positive growth potential of VIB Vermögen AG in 2019 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 (André Remke)	25/03/2020	buy	30.00
Bankhaus Lampe (Dr. Georg Kanders)	09/04/2020	buy	28.00
Berenberg (Kai Klose)	25/03/2020	buy	27.50
Degroof/Petercam (Herman van der Loos)	22/04/2020	buy	30.00
Mirabaud (Emmanuel Valavanis)	28/05/2019	buy	32.60
SRC Research (Stefan Scharff)	22/04/2020	buy	29.00
Warburg Research (Andreas Pläsier)	17/09/2019	buy	29.40

HIGH APPROVAL RATE AT THE ANNUAL GENERAL MEETING

The Annual General Meeting for the year 2019 was held in Ingolstadt on July 4, 2019. In addition to formal approval for the actions of the Managing and Supervisory Boards, the agenda also included the plan to increase the size of the Supervisory Board by one member and the choice of auditor. All items on the agenda were accepted with broad shareholder approval, and formal approval was granted for the actions of the Managing and Supervisory Boards in 2018. A total of 56.4% of the voting-entitled share capital was represented. The 2020 Annual General Meeting is scheduled for July 2, 2020.

DIALOGUE WITH THE CAPITAL MARKET

Our mission is to communicate with as many shareholders, investors and parties interested in our company as possible. Our activities 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 report in a continuous, comprehensible and transparent manner, attaching great importance to the communication of relevant, up-to-date information and 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 period under review, the Managing Board of VIB Vermögen AG held presentations at the following conferences: the Baader Investment Conference in Munich, the Berenberg Conference in Munich, the Degroof-Petercam Real Estate Conference in Brussels, the Kempen Conference in London, the m:access Conference in Munich, the Main First Conference (Best of Southern Germany) in Stuttgart and the SRC Forum in Frankfurt. VIB's capital market communication is supplemented by roadshows for current and potential investors in countries such as Germany, Belgium, the UK and Switzerland.

Our proactive and transparent communication was once again honoured in the year under review. We received a Gold Award from EPRA (European Public Real Estate Association) for the high standard of our communication. 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

March 25, 2020
Publication of 2019 interim figures

April 30, 2020
Publication of the 2019 Annual Report

May 13, 2020
Publication of the 2020 Q1 interim report

July 2, 2020
Annual General Meeting

August 7, 2020
Publication of the 2020 half-yearly report

November 11, 2020
Publication of the 2020 Q3 interim report

IR CONTACT

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EPRA PERFORMANCE INDICATORS

The European Public Real Estate Association (EPRA) is a non-profit organisation, headquartered 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.

VIB Vermögen AG has been a member of EPRA since 2011 and, ever since, has 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 once again 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 KPIS AT A GLANCE

IN EUR THOUSAND	**31/12/2019**	31/12/2018	Change in %
EPRA earnings	44,762	41,777	7.1
EPRA NAV	612,974	559,949	9.5
EPRA NNNAV	511,136	471,945	8.3
EPRA vacancy rate	1.0%	0.7%	+0.3 pt.
EPRA net initial yield	6.5%	6.6%	–0.1 pt.
EPRA cost ratio (incl. vacancy costs)	12.2%	11.9%	+0.3 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 indicator serves as the yardstick for the extent to which a dividend payment is covered by earnings. Absolute EPRA earnings currently stand at EUR 44,762 thousand, which equates to an increase of EUR 2,985 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 1.51 in the previous year to EUR 1.62 (EUR +0.11).

EPRA EARNINGS

IN EUR THOUSAND		**2019**	2018
Group shareholders' share of earnings		**63,159**	**57,610**
adjusted for:			
(i)	Changes in value for investment properties	–22,319	–19,454
(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	3,532	3,079
(ix)	Adjustments to items (i) to (viii) in relation to associates	0	0
(x)	Minority interests in adjustments to EPRA earnings	390	542
Absolute EPRA earnings		**44,762**	**41,777**
Average number of shares (undiluted)		27,579,779	27,579,779
EPRA earnings per share (in EUR)		**1.62**	**1.51**

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)

The net asset value of the company, assuming a company strategy with a long-term focus, is referred to as "EPRA NAV". 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 53,025 thousand year-on-year, from EUR 559,949 thousand to EUR 612,974 thousand (+9.5%). 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 20.30 to EUR 22.23 (EUR +1.93/+9.5%).

EPRA NET ASSET VALUE (NAV)

IN EUR THOUSAND		**31/12/2019**	31/12/2018
Total equity		577,295	527,593
Minority interest		–25,306	–22,800
NAV as shown on the consolidated balance sheet (attributable to Group shareholders)		**551,989**	**504,793**
Dilution effect due to options, convertible bonds and other equity instruments		0	0
Diluted NAV after options, convertible bonds and other equity instruments		**551,989**	**504,793**
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	1,161	2,908
(v.a)	Deferred taxes	59,824	52,248
EPRA NAV		**612,974**	**559,949**
Number of outstanding shares (diluted)		27,579,779	27,579,779
EPRA NAV per share (in EUR)		**22.23**	**20.30**

EPRA TRIPLE NET ASSET VALUE (NNNAV)

EPRA NNNAV builds on, and is calculated from, EPRA NAV, with the former 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 39,191 thousand year-on-year to EUR 511,136 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 1.42 to EUR 18.53.

EPRA-TRIPLE NET ASSET VALUE (NNNAV)

IN EUR THOUSAND		31/12/2019	31/12/2018
EPRA NAV		**612,974**	**559,949**
plus:			
(i)	Market value of derivative financial instruments	–1,161	–2,908
(ii)	Market value of financial liabilities (after deferred taxes)	–48,534	–39,024
(iii)	Deferred taxes	–52,143	–46,072
EPRA NNNAV		**511,136**	**471,945**
Number of outstanding shares (diluted)		27,579,779	27,579,779
EPRA NNNAV per share (in EUR)		**18.53**	**17.11**

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.

Due to a rise in temporary vacancies as of the end of the year under review, the EPRA vacancy rate increased from 0.7% to 1.0%

EPRA VACANCY RATE

IN EUR THOUSAND	31/12/2019	31/12/2018
Annualised market rent for the total portfolio	82,115	78,791
Vacant properties measured at market values	794	542
EPRA vacancy rate (in %)	**1.0**	**0.7**

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 slightly disproportional rise in the market value of the property portfolio, the net initial yield fell slightly from 6.65% to 6.50%.

EPRA NET INITIAL YIELD

IN EUR THOUSAND	31/12/2019	31/12/2018
Investment properties as per balance sheet	1,296,352	1,182,548
Properties under construction, reserved plots	–115,582	–73,098
Assets held for sale	0	0
Market value of the property portfolio (net)	**1,180,770**	**1,109,450**
Transaction cost reduction (purchasers' costs)	55,725	52,275
Market value of the property portfolio (gross)	**1,236,495**	**1,161,725**
Annualised net basic rent	81,321	78,249
Non-recoverable operating expenses	–918	–1,017
Annualised net rental income	**80,403**	**77,232**
Letting incentives	–142	–82
Topped-up annualised rental income	**80,261**	**77,150**
EPRA net initial yield (in %)	**6.50**	**6.65**
Topped-up EPRA net initial yield (in %)	6.49	6.64

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 high year-on-year rise in net property costs, the cost ratio rose from 11.9% to 12.2%.

EPRA COST RATIO

IN EUR THOUSAND	**31/12/2019**	31/12/2018
Expenses for investment properties	16,057	14,968
Proceeds from the recovery of operating expenses	–11,001	–10,665
Personnel expenses	3,861	3,678
Other operating expenses	1,775	1,780
Other operating income	–1,045	–843
EPRA costs (incl. vacancy costs)	**9,647**	**8,918**
Direct vacancy costs	0	0
EPRA costs (excl. vacancy costs)	**9,647**	**8,918**
Revenue from net basic rents	**79,200**	**75,018**
EPRA cost ratio (incl. vacancy costs) in %	**12.2**	**11.9**
EPRA cost ratio (excl. vacancy costs) in %	**12.2**	**11.9**

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 75 etseq. and 96 etseq. of the Notes.

PORTFOLIO INFORMATION

› Remaining terms of rental agreements

The average remaining term of the company's rental agreements – five years and three 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	12.8	10,409
1 to 3 years	22.7	18,460
3 to 5 years	21.2	17,240
5 to 7 years	12.2	9,921
7 to 10 years	18.5	15,044
Longer than 10 years	12.6	10,246

› 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 2019 fiscal year (EUR 74,032 thousand) rose by EUR 190 thousand (0.26%) against the previous year's level (EUR 73,842 thousand).

This growth can be split into the following categories:

- Contractual indexing EUR 201 thousand
- Changes in the vacancy rate EUR –252 thousand
- Changes arising from existing agreements EUR 241 thousand

INFORMATION ON INVESTMENT PROPERTIES

IN EUR THOUSAND	
New investments/acquisitions	65,010
Developments, properties under construction	37,866
Subsequent capitalisation of existing properties/LFL	110
Other	0
Total investments	**102,986**

CORPORATE GOVERNANCE

The sustainable commercial success of VIB is based on 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 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 four 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 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 2019 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 2019 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 fringe benefits. Pension commitments are also granted. The fixed annual salary is payable in twelve monthly instalments. The fringe benefits primarily comprise insurance premiums and the use of company cars. Tax is paid on taxable fringe 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 1,070 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 189 thousand and a performance-related component of EUR 350 thousand. The non-performance-related component includes a fixed annual salary of EUR 174 thousand and fringe benefits in the amount of EUR 15 thousand.

The Chief Financial Officer was paid total remuneration of EUR 531 thousand in the 2019 financial year. This amount comprises a non-performance-related component of EUR 181 thousand and a performance-related component of EUR 350 thousand. The non-performance-related component includes a fixed annual salary of EUR 168 thousand and fringe benefits in the amount of EUR 13 thousand.

In addition, pension contributions of EUR 225 thousand for serving and former Managing Board members are included in personnel expenses. Pension payments of EUR 37 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 2019 fiscal year.

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

By a resolution of the Annual General Meeting on July 4, 2019, the number of Supervisory Board members has been increased from three to four. Furthermore, a new Chairman of the Supervisory Board was appointed in the fourth quarter of 2019. Remuneration totalling EUR 80 thousand was paid in connection with the position of Chairman of the Supervisory Board. In respect of the position of Deputy Chairman, annual remuneration stood at EUR 60 thousand, with EUR 45 thousand for each further 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 2, 2020, 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 Officer 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 2019 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 2018 were audited by the audit firm appointed at the Annual General Meeting – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft – 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 [Institute of Public Auditors in Germany, Incorporated Association] (IDW).

At the 2019 Annual General Meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was chosen as the auditor of the annual financial statements of VIB Vermögen AG and the 2019 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.

SUSTAINABILITY AT VIB VERMÖGEN AG

Ever since it was founded in 1993, VIB Vermögen AG has been committed to a long-term and sustainable growth strategy. For us, it is paramount that our economic objectives go hand in hand with environmental and social responsibility, which we take extremely seriously. Our success proves us right: since its inception, 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.

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

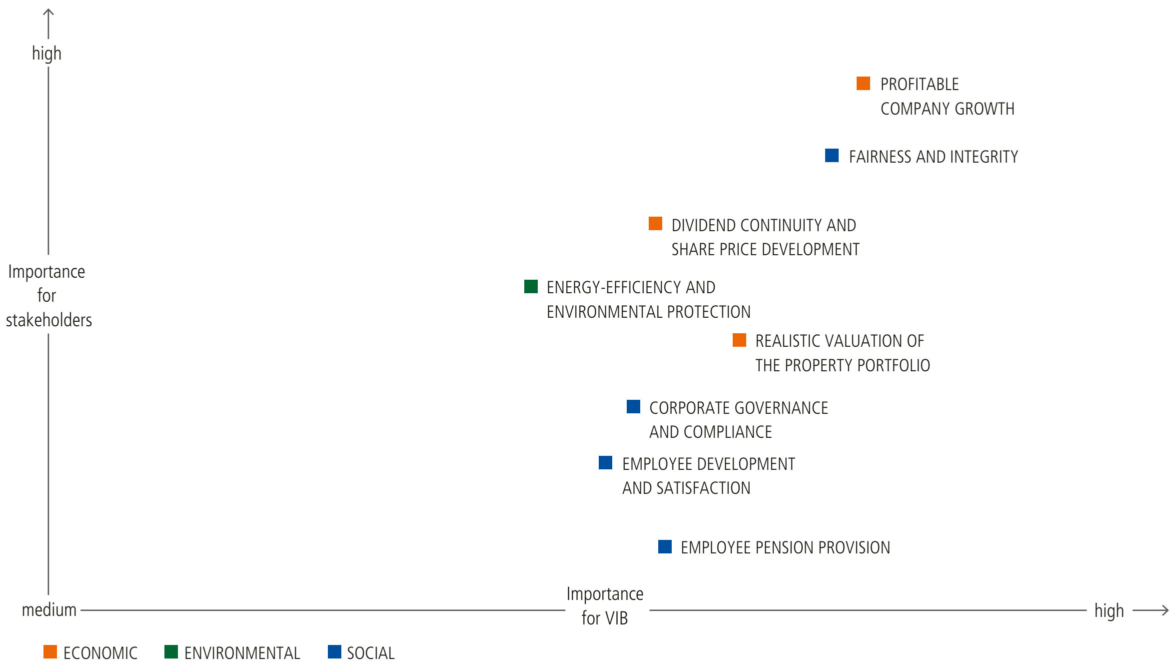
As an experienced property developer and portfolio management company, we have built up a close-knit network with our key stakeholder groups. On the basis of our day-to-day work and our long-standing dialogue with them, we have identified various issues that have a notable influence on the sustainable 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.

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.

THE MATERIALITY MATRIX OF VIB VERMÖGEN AG



VIB VERMÖGEN AG NAMED A "BLÜHENDER BETRIEB" ("BLOSSOMING BUSINESS") BY THE FREE STATE OF BAVARIA

We set a good example ourselves when it comes to sustainability. In March 2017, we moved into our new company head office, which raises the bar in terms of environmental sustainability. We placed great emphasis on cutting-edge technology when bringing this project to life. The building boasts the latest standards in the fields of cooling and air conditioning technology, coupled with heat pumps, a solar installation, a ventilation system with heat recovery technology, LED lighting and charging points for electric vehicles.

Alongside the numerous ecological features implemented on and within the building, it was particularly important for us to design the outdoor areas in a natural, insect-friendly way. In recognition of this contribution to safeguarding biodiversity, we were named a "Blossoming Business" in March 2020 as part of the "Blühpakt Bayern" initiative of the Bavarian State Ministry of the Environment and Consumer Protection.

Due to the decline witnessed in the number and diversity of insects, the initiative is committed to restoring the insects' habitats, thus ensuring a noticeable recovery in their population and boosting the number of species. Awarding companies the title of "Blossoming Business" is one of the measures in the implementation strategy and seeks to encourage Bavarian firms to manage their open spaces in a way that fosters flowers and insects.

As we were already attaching considerable importance to the eco-friendly design of the outdoor areas and the preservation of tree stocks whilst building our new company head office, we were able to go beyond the minimum requirements with a range of further impressive insect-friendly measures.

On the grounds of our company head office, an area of some 4,500 sqm is in a near-natural condition, which corresponds to about a third of the site. "Near-natural condition" means a variety of flowers from spring through to autumn, as well as different habitats comprising native wild flowers, perennials, shrubs and woody plants. At our site, hedgerows alternate with native shrubs and open meadow areas. Rooftop gardens – such as on the roof of our carport – are also classed as near-natural areas.

BLÜHPAKT BAYERN

Bayerisches Staatsministerium für Umwelt und Verbraucherschutz

HEAD OFFICE

The company headquarters of VIB Vermögen AG since 2017, setting the highest standards in energy-efficient construction and environmental sustainability

We use a special seed mix for our walled garden and meadow areas, with only a third of these areas mowed, in accordance with the care and maintenance plan. In order to maintain breeding and wintering grounds, specific areas are left to grow over the winter. We do not use any chemical pesticides or fertilisers whatsoever. The path and maintenance route around the building consists of unsealed gravel turf/gravel road. Another special characteristic lies in the unique habitat structure for lizards and various species of insect, which has been created by using dead wood, rock piles and water troughs. What's more, wild bees are able to nest in natural ground on the site.

In order to continue contributing to biodiversity conservation as much as we can, and beyond the measures already implemented, we continuously explore ways of boosting biodiversity at selected locations of our property portfolio. To this end, an external wildlife garden expert inspected the site in summer 2019, compiling a catalogue of measures for fostering biodiversity. We plan to implement some of the points listed in the form of "nature modules". These could, for example, include an alpine garden, a sand garden, a flower border, a dead-wood pile (with insect hotel) or a lizard/reptile hotel.

Within the scope of our business operations, we also 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 Anti-Corruption Guidelines. 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 feel 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. Our aim is not only to generate added value for our shareholders and tenants; indeed, we also feel committed to the general public, our business partners and, last but not least, our employees in everything we do. 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

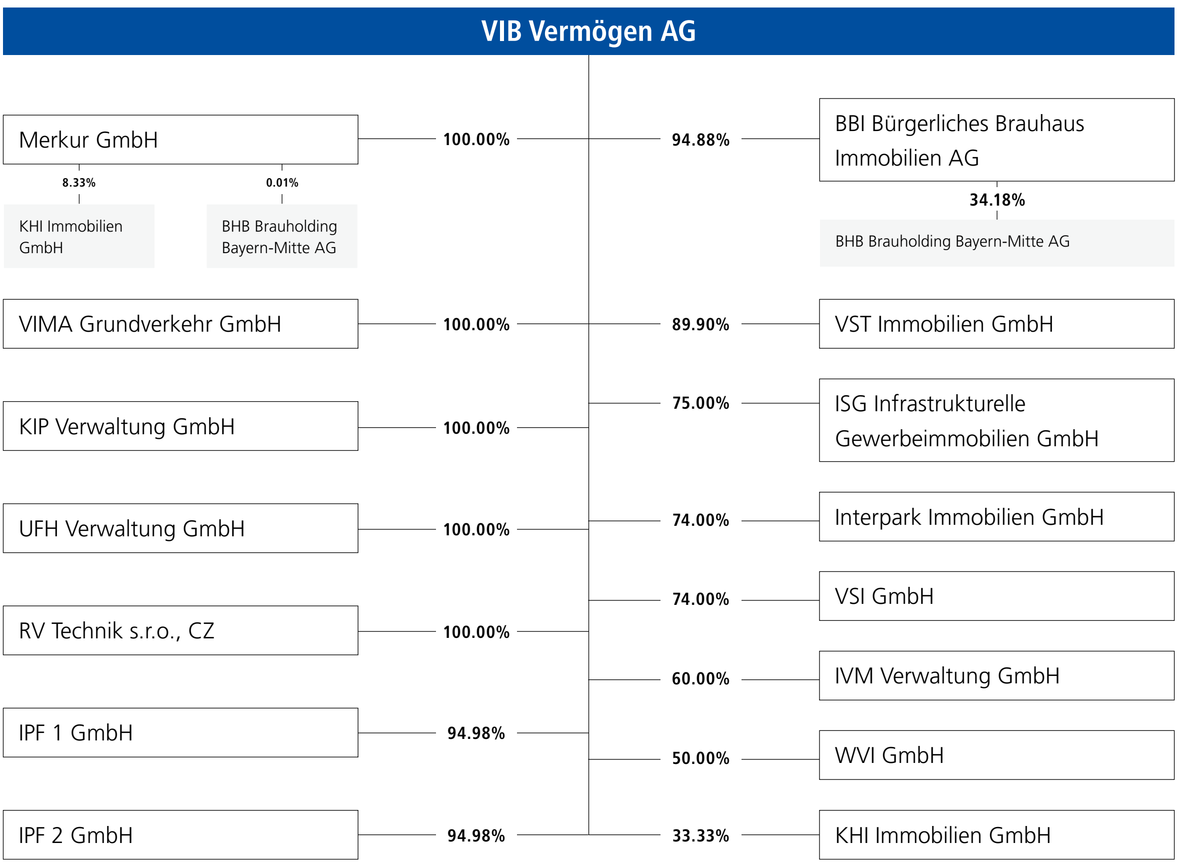
BASIS OF THE GROUP

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. We focus on properties in the logistics/light industry and retail sectors in the southern German region. 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. Both listings are in the open market segment.

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, 2019, our portfolio comprised a total of 109 properties. The focus is on attractive logistics and light industry properties and specialist retail parks, as well as commercial and service centres, with a total rentable area of approximately 1.16 million sqm. Another part of our strategy is that our properties are managed by our own employees, meaning that we maintain direct 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, 2019



VIB Vermögen acquired a majority interest in BBI Bürgerliches Brauhaus Immobilien AG (“BBI Immobilien AG”, “BBI”) in 2007. The interest it held as of year end 2019 remained unchanged at 94.9% of the share capital of BBI Immobilien AG. VIB Vermögen AG indirectly holds 34.2% of the shares of 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 segment, 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 recurring cash flows (funds from operations, FFO), sustained increases in the EPRA net asset value (EPRA NAV) of the company and the distribution of appropriate 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 regional centres of southern Germany. Our focus in this regard is on the 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. 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 suitable location for a property plays a particularly vital role for us in this regard, irrespective of whether we are acquiring the property or developing it ourselves. A key element of our development strategy is that our construction projects usually only begin once we have secured binding rental agreements 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 – and the right balance between equity and debt financing – is pivotal to any real estate project. We are aided in this regard by our contact with the financial and capital markets. 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 and short-term variable loans, such as those based on EURIBOR, are also used and represent a sensible addition to our debt financing mix. On the equity side, we use suitable 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 management by our own staff. Moreover, the long-term letting of our properties to anchor tenants seeks to minimise administration expenses, related costs and the vacancy rate.

3. STEERING SYSTEM

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 targets 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 depreciation, amortisation and interest 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 at 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. In addition to the total volume of borrowing liabilities, the average interest rate has a particularly significant influence on the amount of interest expenses, which also represent one of the largest expense items in our income statement.

KEY PERFORMANCE INDICATORS AT A GLANCE

KPI	Description	**2019**	2018
Financial performance indicators			
Revenue	Revenue (as per income statement)	EUR 91.0 million	EUR 86.8 million
Adjusted EBT	Earnings before tax (excluding valuation effects and extraordinary items)	EUR 56.0 million	EUR 51.7 million
FFO	Funds from operations (indicates the property portfolio's earnings strength)	EUR 48.9 million	EUR 45.3 million
Non-financial performance indicators		**Value as of 31/12/2019**	Value as of 31/12/2018
Vacancy rate	Based on annualised net rent	1.0%	0.7%
Average interest rate on borrowing portfolio	Fixed- and variable-interest borrowings	2.10%	2.33%

4. EMPLOYEES

As of the end of the 2019 fiscal year, the VIB Group employed 35 commercial staff in addition to the two members of the Managing Board (31/12/2018: 32 staff). In addition, 6 industrial staff (31/12/2018: 5 staff) were employed, primarily in part-time employment arrangements associated with facilities management. 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).

BUSINESS REPORT

1. MARKET AND COMPETITIVE ENVIRONMENT

MACROECONOMIC TRENDS

The performance of the global economy in 2019 was marked by a worldwide economic slowdown, the trade conflict between the USA and China, and the risks associated with a disorderly Brexit. According to figures from the International Monetary Fund (IMF), global economic growth was down considerably on the previous year.

The eurozone was unable to buck this trend, meaning that a noticeable slowdown in economic growth was also observed here. Whilst domestic demand and the labour market remained robust, export-focused countries were particularly affected by the downward trend.

Even though the German economy continued to grow in the year under review, the recorded growth rate of 0.6% was down considerably on the previous year's figure of 1.5%. The key factors behind the weak growth were declining exports due to the trade disputes between the USA and China, as well as the general economic downturn. By contrast, the German economy was bolstered by the domestic situation: in light of record employment and rising purchasing power, consumer spending remained buoyant. As in previous years, the sustained construction boom – supported by continued low interest rates – contributed positively to the moderate economic growth witnessed in the year under review.

The DAX rose by more than 25% in the year under review, which represented the largest annual increase since 2013. Alongside low interest rates, the markets also profited from the fact that central banks stuck to their strategy of expansive monetary policy on account of the sluggish economy.

SECTOR TRENDS

As a company managing a commercial property portfolio, VIB specialises mainly in the logistics and retail sectors of the economy. In Germany, both of these segments play a prominent role in the value chain and have been recording steady growth rates for years.

Retail is the second-largest industry (after the automotive sector) and generated annual revenue of EUR 544 billion in 2019, which equated to an increase of 3.2% year-on-year. Retail is followed by logistics, which therefore constitutes the third-largest economic sector in Germany. With annual revenue of EUR 279 billion, a rise of 1.8% was recorded on the previous year's figure. Thanks to its central geographic location, high-quality infrastructure and state-of-the-art logistics technologies, Germany holds a market share of 25% of the EUR 1.1 trillion European logistics market.

In spite of economic growth only being moderate, demand for the asset class of German properties remained unwaveringly high. In addition to the country's stable political and economic structures, the sustained property boom in Germany is also underpinned by the continued low interest rates. The transaction volume of the German property market (i. e. total sales/acquisitions of residential and commercial properties) came in at EUR 91.3 billion – an all-time high – in 2019. The previous year's figure was EUR 79.0 billion.

The commercial property segments relevant to VIB – i. e. logistics, retail and office space – once again performed strongly in the year under review. In the logistics segment, growth of approx. 3% to EUR 7.3 billion was recorded. The retail segment grew by 7% to EUR 11.0 billion, with the office space segment growing by 22% year-on-year to achieve a transaction volume of EUR 36.5 billion.

Even though the transaction volume in the logistics sector only increased slightly year-on-year, demand for logistics properties remains high on account of shortened product cycles, the increased outsourcing of logistics services and the flourishing e-commerce sector. The increase in the transaction volume was dampened by the fact that the supply of existing properties and the availability of sites for new builds are becoming increasingly limited.

Retail faces considerable challenges, particularly due to rising digitalisation and demographic change. With the market for large shopping centres and high-street sites becoming increasingly overstretched, property investors see retail parks as a particularly promising source of growth potential. Firstly, this is due to the relatively low rent and ancillary cost levels associated with this particular asset class. Secondly, retail park settings are often home to a raft of tenants serving as local amenities (such as discount supermarkets and chemists), which usually results in high footfall at such locations.

2. BUSINESS TRENDS

TARGET/ACTUAL COMPARISON

	Guidance for 2019	Actual figures in 2019
Financial performance indicators		
Revenue	EUR 88.5 million to EUR 92.5 million	EUR 91.0 million
EBT excluding valuation effects and extraordinary items	EUR 52.0 million to EUR 54.5 million	EUR 56.0 million
FFO (funds from operations)	EUR 45.5 million to EUR 48.0 million	EUR 48.9 million
Non-financial performance indicators	Guidance for 31/12/2019	Actual figures as of 31/12/2019
Vacancy rate	Low, single-digit percentage range	1.0%
Average interest rate on borrowing portfolio	Moderate reduction against the level as of 31/12/2018 (2.33%)	2.10%

VIB continued its growth trajectory of recent years and managed to achieve, or even exceed, all its own targets for 2019.

Revenue of EUR 91.0 million lay within the EUR 88.5 million to EUR 92.5 million forecast that we set for ourselves. The rise in revenue was driven by the pro rata rental income from acquisitions and in-house developments completed in the 2019 fiscal year, as well as by properties completed in the previous year that generated rental income over a full year for the first time in 2019.

Earnings before tax (EBT), excluding valuation effects and extraordinary items, amounted to EUR 56.0 million in the reporting period, which is slightly higher than the forecast of EUR 52.0 million to EUR 54.5 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 rate for borrowing liabilities.

Alongside its financial targets, the company also met all its non-financial targets:

In respect of the vacancy rate on the basis of effective annual net rents, we predicted a figure in the low, single-digit percentage range as of December 31, 2019. We achieved this target with a vacancy rate of 1.0% (31/12/2018: 0.7%). A key factor in terms of keeping the rate extremely low was the in-house management of our property portfolio by employees of the VIB Group.

In terms of the average interest rate on our borrowing portfolio, we achieved a figure of 2.10% as of December 31, 2019. The forecast had been for a moderate improvement on the figure of 2.33% as of the balance sheet date of December 31, 2018. Thanks to the continued low interest rates for new financing agreements, as well as the expiry of fixed-interest periods on existing loans, we managed to achieve the forecast reduction.

FFO (funds from operations) came in at EUR 48.9 million in the year under review. As such, the forecast of between EUR 45.5 million and EUR 48.0 million issued at the start of the year was exceeded on account of the positive course of business.

3. EARNINGS, ASSETS AND FINANCIAL POSITION

EARNINGS POSITION

SELECTED INDICATORS OF EARNINGS POSITION

IN EUR THOUSAND	**2019**	2018	Change
Revenue	90,995	86,789	+4.8%
EBIT	92,953	86,952	+6.9%
EBIT excluding valuation effects and extraordinary items	70,634	67,498	+4.6%
EBT	78,287	71,200	+10.0%
EBT excluding valuation effects and extraordinary items	55,968	51,746	+8.2%
Consolidated net income	65,411	59,895	+9.2%
Earnings per share in EUR (undiluted and diluted)	2.29	2.09	+9.6%

Revenue rose by EUR 4.2 million to EUR 91.0 million in the 2019 fiscal year (previous year: EUR 86.8 million). This was chiefly attributable to additional rental incomes from new investments as well as properties completed in the previous year that only generated rental incomes across an entire year for the first time in 2019. Alongside rental incomes, the item "Revenue" also includes operating costs paid by tenants. Other operating revenue came in at EUR 1.6 million (previous year: EUR 1.4 million) and, as in the previous year, mainly includes insurance compensation for building damage. Total operating revenue, which comprises revenue and other operating revenue, rose by EUR 4.4 million to EUR 92.6 million (previous year: EUR 88.2 million).

The market valuation of our properties and sites as of December 31, 2019, led to positive changes in value for investment properties of EUR 22.3 million (previous year: EUR 19.5 million). This item includes both increases and reductions in value. Net value increases came to EUR 29.5 million (previous year: EUR 27.7 million), whereas net value reductions came to EUR 7.2 million (previous year: EUR 8.2 million).

Expenses for investment properties rose to EUR 16.1 million (previous year: EUR 15.0 million) on account of increased expenses for ancillary costs and maintenance work. Personnel expenses amounted to EUR 3.9 million (previous year: EUR 3.7 million), whereas other operating expenses remained on a par with the previous year at EUR 1.8 million (previous year: EUR 1.8 million).

Depreciation and amortisation stood at EUR 0.3 million (previous year: EUR 0.3 million) and mainly included scheduled depreciation on the owner-occupied administration building of VIB Vermögen AG. After deducting depreciation, we achieved earnings before interest and tax (EBIT) of EUR 93.0 million in the year under review (previous year: EUR 87.0 million). When adjusted for property-related valuation effects, EBIT improved by EUR 3.1 million to EUR 70.6 million (previous year: EUR 67.5 million).

Profit/loss on equity-accounted investments, which mainly comprised the participating interest in BHB Brauholding AG, stood at EUR 0.5 million (previous year: EUR 0.0 million). In the year under review, we posted interest income of around EUR 0.02 million (previous year: EUR 0.01 million). By virtue of the further decrease in the average interest rate on borrowing liabilities, the item "Interest and similar expenses" declined further, coming in at EUR 15.0 million in the year under review (previous year: EUR 15.6 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.

Earnings before tax (EBT) improved by EUR 7.1 million in the year under review to EUR 78.3 million (previous year: EUR 71.2 million). When adjusted for valuation effects in the amount of EUR 22.3 million (previous year: EUR 19.5 million), EBT stood at EUR 56.0 million, which represents a sharp rise of EUR 4.2 million, or 8.2%, on the previous year (previous year: EUR 51.7 million). As in the previous year, there were no extraordinary effects. The average rental yield across all Group properties stood at 6.92% (31/12/2018: 7.02%). This strong result once again emphasises the excellent operating performance of the entire VIB Group.

Income taxes came in at EUR 12.9 million (previous year: EUR 11.3 million). EUR 5.5 million thereof was attributable to current taxes (previous year: EUR 5.0 million) and EUR 7.4 million thereof was attributable to deferred taxes (previous year: EUR 6.3 million). The income tax rate was 16.5% (previous year: 15.9%).

Consolidated net income improved to EUR 65.4 million and was therefore EUR 5.5 million up on the previous year (previous year: EUR 59.9 million). The undiluted and diluted earnings per share both stood at EUR 2.29 (previous year: EUR 2.09).

NET ASSETS

SELECTED INDICATORS OF NET ASSETS

IN EUR THOUSAND	**31/12/2019**	31/12/2018	Change
Total assets	1,359,731	1,234,908	+10.1%
Investment properties	1,296,352	1,182,548	+9.6%
Net debt (current and non-current financial liabilities less bank balances)	671,864	610,098	+10.1%
Equity	577,295	527,593	+9.4%
Equity ratio	42.5%	42.7%	–0.2 pt.

The total assets of the VIB Group rose by EUR 124.8 million compared with the previous year's balance sheet date to EUR 1,359.7 million (31/12/2018: EUR 1,234.9 million). Within this table, investment properties – i.e. properties, land and properties under construction – constituted the largest asset category at EUR 1,296.4 million (31/12/2018: EUR 1,182.5 million). Interests in associated companies climbed by EUR 5.7 million to EUR 11.9 million (31/12/2018: EUR 6.2 million).

Current assets stood at EUR 41.4 million as of December 31, 2019 (31/12/2018: EUR 38.1 million). Receivables and other assets stood at EUR 3.6 million (31/12/2018: EUR 6.0 million) and included trade receivables in the amount of EUR 1.0 million (31/12/2018: EUR 1.6 million) and other assets in the amount of EUR 2.5 million (31/12/2018: EUR 4.4 million). Bank balances and cash in hand increased from EUR 31.0 million to EUR 36.7 million.

As a result of the increase in net retained profits, equity climbed to EUR 577.3 million as of December 31, 2019 (31/12/2018: EUR 527.6 million). As of the balance sheet date, the equity ratio fell slightly to 42.5% (31/12/2018: 42.7%).

Subscribed share capital and the share premium account remained unchanged on the previous year 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 9.8 million was added to retained earnings, causing this item to rise to EUR 85.6 million as of December 31, 2019 (31/12/2018: EUR 75.8 million).

Accumulated earnings rose by 16.9% to EUR 248.5 million as at the balance sheet date (31/12/2018: EUR 212.7 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 2019 of EUR 63.2 million (previous year: EUR 57.6 million) and, on the other hand, the dividend distribution to our shareholders of EUR 17.9 million (previous year: EUR 16.5 million). The balance sheet item "Non-controlling interests" increased from EUR 22.8 million to EUR 25.3 million.

Non-current liabilities stood at EUR 744.8 million as of December 31, 2019 (31/12/2018: EUR 665.4 million). The largest item was non-current financial liabilities (mainly bank loans to finance the property portfolio), which climbed by EUR 73.1 million to EUR 680.9 million (31/12/2018: EUR 607.8 million). The item "Derivative financial instruments" comprises interest rate swaps to manage the risk of bank loans taken out, and fell to EUR 1.2 million compared to the previous year's balance sheet date (31/12/2018: EUR 2.9 million).

Deferred tax liabilities result primarily from differing valuations between the IFRS and tax values of properties and rose to EUR 59.8 million as of the balance sheet date (31/12/2018: EUR 52.2 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 decreased from EUR 41.9 million to EUR 37.6 million, which was chiefly due to a decline in current financial liabilities and bank loans to EUR 27.7 million (31/12/2018: EUR 33.3 million). Other liabilities, primarily trade payables, increased slightly to EUR 7.3 million (31/12/2018: EUR 7.1 million).

The financial position of the VIB Group once again made it possible to fund a portion of planned investments through equity in 2019. 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 613.0 million as of the balance sheet date (31/12/2018: EUR 559.9 million).

NET ASSET VALUE (NAV) – UNDILUTED

IN EUR THOUSAND	**31/12/2019**	31/12/2018
Investment properties	1,296,352	1,182,548
Other assets	10,033	8,042
Interests in associated companies	11,941	6,238
+/– other assets/equity and liabilities (including minority interests)	–33,488	–26,781
Net debt	–671,864	–610,098
NAV/net assets (undiluted)	**612,974**	**559,949**
Number of shares (balance sheet date)	27,579,779	27,579,779
NAV per share in EUR (undiluted)	**22.23**	**20.30**

NET ASSET VALUE (NAV) – DILUTED

IN EUR THOUSAND	**31/12/2019**	31/12/2018
NAV/net assets (undiluted)	612,974	559,949
NAV/net assets (diluted)	**612,974**	**559,949**
Number of shares (balance sheet date)	27,579,779	27,579,779
Potential ordinary shares from:		
Number of shares (diluted)	27,579,779	27,579,779
NAV per share in EUR (diluted)	**22.23**	**20.30**

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 main aim of our financial management is to ensure financial stability. 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	2019	2018	Change
Cash flow from operating activities	69,125	60,727	+8,398
Cash flow from investment activities	–98,297	–67,451	–30,846
Cash flow from financing activities	34,895	–240	+35,135
Cash and cash equivalents at end of period	36,738	31,015	+5,723

Cash flow from operating activities came in at EUR 69.1 million in the year under review (previous year: EUR 60.7 million).

Cash outflow from investment activities amounted to EUR 98.3 million in the period under review, compared with EUR 67.4 million in the prior-year period. The sharp year-on-year rise is largely attributable to a further increase in investments in the property portfolio.

A net cash inflow from financing activities of EUR 34.9 million was recorded (previous year: cash outflow of EUR 0.2 million). The cash inflow from the taking out of bank loans due to increased investment in the property portfolio stood at EUR 107.5 million (previous year: EUR 56.4 million), whereas EUR 18.8 million was paid out in dividends (previous year: EUR 17.4 million). Repayments in the amount of EUR 40.0 million were made in connection with financial loans, which represents an increase of EUR 16.3 million on the previous year (previous year: EUR 23.7 million). On account of the further decrease in the average interest rate, interest payments in connection with financial loans fell from EUR 15.6 million to EUR 15.0 million.

In total, cash and cash equivalents increased by EUR 5.7 million to EUR 36.7 million as of December 31, 2019.

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

IN EUR THOUSAND	2019	2018
Earnings before interest and tax (EBIT)	**92,953**	**86,952**
adjusted for:		
Income/expenses (non-cash effective)	3	25
Depreciation and amortisation	313	308
Changes in value for investment properties	–22,319	–19,454
	70,950	**67,831**
Interest and similar expenses	–14,968	–15,597
Other interest and similar income	18	8
Profit/loss on equity-accounted investments	449	3
Expenses from guaranteed dividends	–166	–166
	56,283	**52,079**
Effective tax expense	–5,492	–5,038
	50,791	**47,041**
Minority interest (adjusted for valuation gains/losses)	–1,862	–1,743
FFO in absolute terms	**48,929**	**45,298**
Average number of shares in fiscal year	27,579,779	27,579,779
FFO per share	**1.77 €**	**1.64 €**
Share price on the respective closing date	29.80 €	21.20 €
FFO yield on the respective closing date	**5.94%**	**7.74%**

FFO (funds from operations) – i. e. cash inflow from operating activities – rose from EUR 45.3 million to EUR 48.9 million in the year under review.

4. OVERALL STATEMENT ON THE COMPANY'S BUSINESS POSITION

From the point of view of the Managing Board of VIB Vermögen AG, the 2019 fiscal year can be regarded as a success. The company's own targets, which had been set in the forecast for the year, were either met or even exceeded. Further revenue growth was generated by virtue of the expansion of the property portfolio.

We currently see exposure of the company to certain risks, such as a disorderly Brexit, the recent escalation in international trade conflicts and, in particular, a deterioration of the economic situation due to the outbreak of coronavirus. Despite the current risk situation, the Managing Board feels that VIB is well positioned to grow further in terms of both revenue and earnings in the 2020 fiscal year. It is, however, to be assumed that the current coronavirus crisis will affect the economic position of the company. At the present time, it is not yet possible to conclusively evaluate the scale of its impact.

REPORT ON RISKS AND OPPORTUNITIES

RISK REPORT

1. RISK MANAGEMENT

VIB Vermögen AG operates in an economic environment characterised by a sharp increase in change and complexity. This goes hand in hand with frequently changing underlying conditions in day-to-day operations, which may relate to a variety of areas, such as politics, society, legislation, business and technology. Changes in these underlying conditions may influence the course of business and are sometimes associated with risks for the company. With this in mind, VIB Vermögen AG has established a risk management system (RMS) that makes it possible to identify potential risks at an early stage. The RMS ensures that the Managing Board is informed promptly of the occurrence of a risk scenario, enabling it to take appropriate countermeasures.

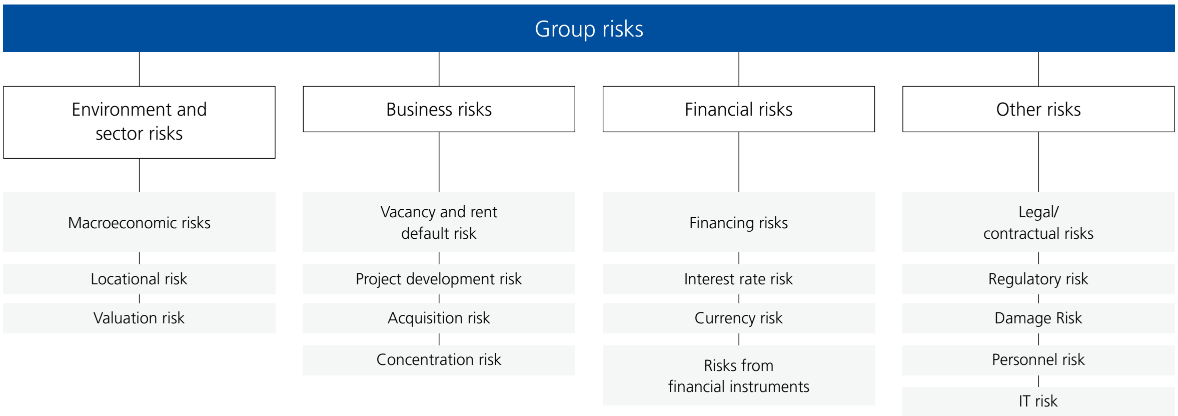
BASIC PRINCIPLES OF RISK MANAGEMENT

The VIB risk management policy supports the corporate goal of safeguarding the company's future as a going concern and of increasing the company's value by means of sustainable growth. In this regard, we define risks both as the danger of possible losses and the danger of potential profits not being realised or only being realised to an insufficient extent.

The VIB risk management policy forms an integral component of the company's business strategy and is set by the Managing Board. In order to identify, manage and counteract potential risks at an early stage, a risk management system has been implemented at all Group subsidiaries. This RMS is closely integrated into operating procedures and processes – especially property-related operations, controlling and planning processes, and 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.

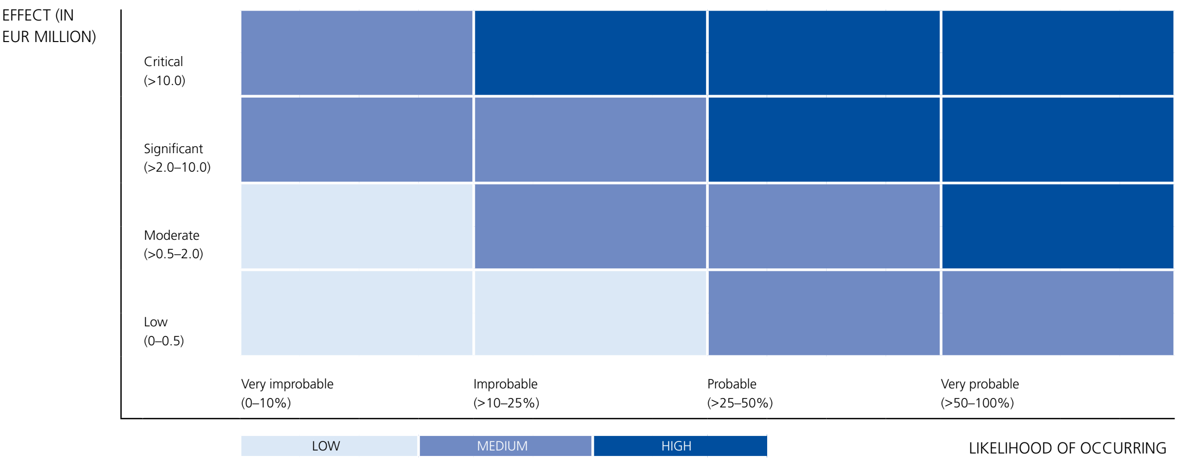
We classify potential risks into four categories that are also applied Group-wide at all subsidiaries.



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



2. ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The objective of the accounting-related internal control and risk management system is to ensure that accounts are prepared consistently and in accordance with statutory requirements, the German generally accepted accounting principles pursuant to the German Commercial Code (HGB), the International Financial Reporting Standards (IFRS) and internal company guidelines and processes.

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. 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 the accounting-related internal control and risk management system.

The accounting-related internal control and risk management system forms part of risk management at the VIB Group. All accounting-related risks are monitored by the Risk Officer of the VIB Group and are included in the regular risk reports submitted to the Managing and Supervisory Boards.

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.

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. In order to identify and avert possible errors and deviations during preparation of the financial statements, 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. The use of IT systems with automated access control mechanisms and integrated plausibility checks establishes an automated control structure that ensures maximum data security at all times. All internal processes and guidelines connected with the preparation of financial statements are regularly reviewed in terms of their effectiveness and, where necessary, adapted to reflect new requirements.

Once the consolidated financial statements have been prepared and then audited by the appointed auditor, these 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.

3. COMPANY RISKS

Compared with the previous year, the risk level has increased at the company, chiefly due to the spread of coronavirus. In turn, this has an impact on several of the individual risks outlined below.

ENVIRONMENT AND SECTOR RISKS

MACROECONOMIC RISKS

The commercial property market in Germany is influenced by macroeconomic trends. In the event of an economic slowdown, there is a risk that companies will be less willing to invest. As a consequence, this could result in less demand for rental space, an increased vacancy risk and falling rents.

Due to international trade conflicts, the slowdown in the global economy and the consequences of Brexit, economic growth tailed off further in Germany 2019. Whilst domestic demand was particularly important in bolstering the German economy, exports were well below expectations.

On account of these risks and, in particular, the currently unforeseeable impact of the outbreak of coronavirus, macroeconomic and industry-specific consequences for Germany are expected. In our view, however, these cannot yet be reliably predicted.

In order to counteract these risks, VIB has always pursued a broadly diversified portfolio and tenant base as part of its property strategy. In order to minimise the risk of long-term vacancies, we always agree long rental terms with our tenants and ensure that our properties offer good alternative usability.

Due to the currently unforeseeable consequences of the outbreak of coronavirus, we have increased our assessment of the macroeconomic risk for VIB from "low" to "moderate" (previous year: low).

LOCATIONAL RISK

When the company acquires or develops properties, certain risks could arise from an incorrect evaluation of the property's location (e. g. due to changes in the transport infrastructure) or an incorrect assessment of the local rental market. In turn, this could have an adverse impact on the values of the properties concerned and the rental income that can be generated from such properties. In order to mitigate such risks, comprehensive due diligence is performed prior to every transaction. Moreover, our in-house property management allows us to identify changes in the properties' environment in a timely fashion so that, where necessary, suitable measures can be taken quickly and effectively in response.

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

VALUATION RISK

The value development of properties is subject to numerous factors over which VIB only has limited control. Depending on how these factors develop, there is a risk that the value of the property portfolio may fall and that the company may sustain valuation losses. In order to receive precise information surrounding the development of the property portfolio, the market value of all properties is calculated every year by an independent external property valuation surveyor, applying the discounted cash flow (DCF) method. The extent to which the property portfolio retains its value depends on various factors, including infrastructure links and the overall condition of each property, the rental incomes that can be generated and the remaining terms of rental contracts.

The main exogenous risks, over which the company has no control, include economic changes, overall interest rate trends and inflation. Possible consequences include declining demand for commercial properties, falling rents overall and rising vacancy rates. The value of a property also depends on internal factors, such as the condition of the property or the remaining term of the rental agreement.

In order to minimise these risks, the property portfolio of VIB is broadly diversified, both in a regional sense and in terms of sector. Furthermore, the in-house management of our properties enables very close contact with our tenants, meaning that we can respond very quickly to problems and changing tenant needs where necessary.

Even though the economic situation in Germany will probably not improve significantly over the course of the current year, we do not see any significant devaluation risk for our property portfolio. We therefore appraise this risk as moderate, as in the previous year.

BUSINESS RISKS

VACANCY AND RENT DEFAULT RISK

As a long-term portfolio manager, we are subject to a certain rental default and vacancy risk.

An economic slowdown could reduce demand for rental space. As a result, rents could fall, which would lead to lower rental incomes for VIB. There is also the risk of a rental default due to temporary payment difficulties or the insolvency of a tenant.

In order to identify payment difficulties at an early stage, rents receivable are monitored on an ongoing basis and any rental arrears are processed promptly. Furthermore, priority is also placed on good alternative usability when acquiring properties. This makes it easier to let them again quickly if rental agreements are terminated. Thanks to the aforementioned measures, the vacancy rate at VIB has been constantly below 3% for many years, coming in at a very positive 1.0% as of December 31, 2019.

Due to the current economic slowdown in Germany, coupled with the shutdown in place for parts of the economy since mid March, we see an increase in the risk of vacancies and rental defaults. As of the time of preparation of the consolidated financial statements, the VIB Group has only recorded insignificant rental defaults. Taking into account the requisite countermeasures, we are nonetheless increasing our assessment of the vacancy and rental default risk to moderate, compared with "low" in the previous year.

PROJECT DEVELOPMENT RISK

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

In some individual development projects, sites are acquired for which planning permission has yet to be obtained. In the event that planning permission is not granted by the authorities, the risk exists that the planned construction projects may be delayed or not even completed at all. Furthermore, development and investment budgets could be exceeded. In turn, this could result in the development yields calculated by VIB not being achieved.

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 lead to temporary losses of rental income, as well as claims for compensation pursued by tenants.

Furthermore, property development is subject to a raft of further risks, such as incorrect evaluation of the market and competitors, poor choice of location, contamination risks in respect of land and buildings, breaches of heritage protection/environmental rules and construction defects/warranty claims. In order to minimise general project development risks and to ensure that projects are completed on schedule and on budget, VIB works with suitable general contractors on larger construction projects.

As of the time of preparation of the consolidated financial statements, no delays have occurred. Due to the coronavirus crisis, however, delays may occur in the progress of ongoing construction projects, which is why we gauge the project development risk as moderate (previous year: moderate).

ACQUISITION RISK

Alongside development projects, the acquisition of existing properties represents a further key pillar of the business strategy at VIB. The acquisition of plots of land also forms part of this acquisition strategy. These plots supplement the VIB site pipeline and, over time, are used successively for the development of new logistics projects.

For VIB, risks such as concealed defects in the building's structure, an excessively high purchase price, problems incorporating the property into the Group structure, unexpected liability claims or problems with the new tenant may also arise in connection with acquisition decisions.

We strive to limit these risks by virtue of our more than 25 years of experience as a portfolio management company and our corresponding connections in the commercial property market. Furthermore, we perform comprehensive technical, financial and legal due diligence prior to any transaction.

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

CONCENTRATION RISK

The VIB property portfolio is diversified in terms of its core sectors of logistics and retail, as well as in a regional sense. Our tenant base includes small and medium-sized enterprises as well as multinational corporations. The VIB portfolio includes several anchor tenants, who rent multiple properties. As such, there is a risk that individual anchor tenants could experience payment difficulties or, in a worst-case scenario, be forced to file for insolvency. This would result in payment defaults on the part of the tenant and significant negative impacts on the earnings position of the company.

In order to mitigate the risk of unexpectedly high vacancy rates or rental defaults, VIB focuses on long-running rental agreements when selecting tenants. The low vacancy rate, which has been below 3% for several years, pays testament to property management at VIB that works in this regard.

As smaller individual tenants and larger tenant groups alike are affected by the economic consequences of the coronavirus crisis, we have increased our assessment of the concentration risk to moderate, compared with "low" in the previous year.

FINANCIAL RISKS

FINANCING RISKS

The long-term consequences of international trade conflicts, Brexit and the outbreak of coronavirus are currently not foreseeable. The Managing Board takes the view that a further deterioration in the economic situation could have a negative impact on the banking sector and therefore on the financial system as a whole. This could lead to banks pursuing a more restrictive lending policy, charging higher fees or providing companies with insufficient capital or no capital at all. For VIB, this could result in planned property development projects either not being completed or being delayed due to difficulties with financing.

We are also subject to a liquidity risk in connection with financial risks. Our liquidity management is based on the daily availability of our bank accounts and rolling liquidity planning that factors in all payment-related circumstances. As of the balance sheet date, VIB has sufficient total cash and cash equivalents to ensure solvency at all times in its ongoing business operations.

Due to the coronavirus crisis, the financing risk has increased compared to the previous year. As a result of the shutdown, which also affects parts of our tenant base, rental deferrals and, in some cases, rental defaults are to be expected. In order to safeguard the flexibility required to respond to liquidity shortfalls, the company is maximising and expanding its financing scope as well as reviewing and optimising pending investment decisions. These steps are complemented by a strong capital base and a low vacancy rate, which is why we still regard the company as being in a strong position.

In light of the increased overall risk, we are raising our risk assessment from low (in the previous year) to moderate.

INTEREST RATE RISK

In order to fund company growth, VIB will continue to draw on debt financing instruments. As such, trends in the overall interest rate in Germany are of considerable importance, as the interest expenses in connection with property loans have a direct impact on the company's earnings position.

A rise in the overall interest rate increases the risk for the company that both the interest rate conditions for funding new projects and the interest rate terms for existing loans on which the fixed-interest period is expiring will worsen.

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. Within the financing mix, these are complemented on a case-by-case basis by promissory note loans with an agreed fixed term.

Given the current low interest rate level, however, we also utilise loans with variable-interest agreements, such as those based on EURIBOR. Based on the total volume of borrowing liabilities at the VIB Group, the share of variable-interest loans stood at a mere 10% as of December 31, 2019.

We do not anticipate a significant rise in the capital market interest rate over the next twelve months. We therefore assess the possible effects of an interest rate risk on the earnings position of VIB 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 as of December 31, 2019.

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

RISKS FROM FINANCIAL INSTRUMENTS

In order to hedge interest rate risks, VIB has, in some cases, concluded interest rate swaps (a derivative financial instrument) for 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. These financial instruments serve the sole objective of hedging interest rate risks and are not used for speculative purposes.

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

OTHER RISKS

LEGAL AND CONTRACTUAL RISKS

VIB closely monitors planned changes to the legal framework in order to be able to respond to binding changes in a timely fashion. Changes in the legal framework – particularly in the area of construction/environmental law, but also in terms of capital market and tax law – could give rise to a risk that incurs additional costs or, in certain cases, has a negative effect on the course of business at VIB.

VIB and its subsidiaries could be involved in court proceedings connected with the acquisition, development or sale of properties and land. Such proceedings could have negative effects on the economic position of the company. Currently, VIB is not involved in any court proceedings that could have a significant influence on the company's business activities.

As a company, VIB is also reliant on the observance of compliance standards (applicable legislation as well as internal guidelines such as the Code of Conduct and anti-corruption guidelines) by all employees and the management. A failure to comply could have negative consequences on the company's business activities, as well as reputational damage. To ensure observance with compliance standards, a compliance unit has been set up at VIB. This unit defines internal guidelines and process requirements and handles training on compliance-related topics for all employees of the VIB Group. No breaches of compliance guidelines were reported within the VIB Group in the year under review.

As a property management company, VIB could incur contractual risks 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 are reviewed internally and, where necessary, externally.

Currently, we are aware of no serious legal and contractual risks that could pose a danger to the company. We therefore appraise this 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, listed on the regulated market in Munich, VIB already boasts knowledge of the capital market, especially in relation to the comprehensive regulations set out in the German Securities Trading Act (Wertpapierhandelsgesetz).

In a dynamic economic environment, VIB is subject to a tax risk due to evolving tax legislation and case law. In respect of VIB, this applies in particular to the area of income tax and VAT law. In the event of the incorrect representation of tax matters to the tax authorities, the tax burden – and therefore the earnings position and liquidity of the company – could worsen. On previous tax audits, the tax authorities have raised no objections that have led to a notable increase in the tax burden for VIB.

We also deal with many other capital market regulations and regulatory issues, such as the Act for Implementing the Second EU Shareholder Rights Directive (ARUG II), passed on November 14, 2019, the AIFM (Alternative Investment Fund Manager) Directive and MIFID II (Markets in Financial Instruments Directive), which came into force in January 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.

Changes in the regulatory environment could entail risks for VIB that could have a negative impact on the company's business operations. Furthermore, the company could incur additional costs for external advisory services or training measures.

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

DAMAGE RISK

Damage to, or destruction of, the company's properties constitutes a further – and potentially substantial – risk for the company. In individual cases, this could have severe negative consequences for the earnings, assets and financial position of VIB.

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

VIB evaluates the negative consequences for the company arising from a damage risk as low, as in the previous year.

PERSONNEL RISK

The departure of employees 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 this risk with a remuneration system that reflects performance fairly and by granting additional benefits to our employees, such as a company pension scheme. VIB also offers training opportunities. Since 2013, VIB has been certified as an apprenticeship provider for property professionals by the Industrie- und Handelskammer (IHK, German Chamber of Industry and Commerce).

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 failure 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 hardware or software failure, contingency plans are in place that make it possible to restore system and data operability in a short space of time.

Due to the General Data Protection Regulation (GDPR), which came into force on May 25, 2018, the overall data protection risk has increased in line with the fines for breaches contained therein. In order to counteract this risk, VIB attaches considerable importance to data confidentiality, secure passwords and access/rights concepts and to staff training in respect of the GDPR.

In an increasingly connected and global world, the risk of cyberattacks against a company's IT architecture is increasing all the time. Such an incident could result in extended system failure or the loss of data/intellectual property. This would entail financial losses and reputational damage for VIB.

Although there is no such thing as complete protection against IT risks at a company, VIB has nonetheless put measures into place that are designed to ensure protection of the data processed and the IT systems deployed.

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 an ongoing 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. In our opinion, the risk level has increased in some risk categories at VIB due to the coronavirus crisis. It is, however, the appraisal of the Managing Board that no severe risks are currently identifiable that could directly jeopardise the future of the company as a going concern.

OPPORTUNITIES REPORT

In addition to efficient risk management, it is extremely important for the commercial success of the VIB Group to seize opportunities as they present themselves. With this in mind, it is vital that opportunities are identified and evaluated as soon as possible, and that they are harnessed in line with the company's human and financial resources. VIB always aims for a balanced relationship between risks and opportunities in order to increase the company value in the long term, which is in the interests of all stakeholders.

Despite the fall in growth, the logistics and retail sectors – which represent the core areas of business at VIB – once again performed relatively well. On account of the low level of supply and strong demand, the prospects on the commercial property market remain fundamentally good. According to information provided by Jones Lang LaSalle, demand for logistics properties in Germany remains particularly high, although this demand was once again served insufficiently on the supply side in the year under review. Here, we see an opportunity to continue growing sustainably and profitably, especially in light of the fact that property acquisitions are not only very difficult due to the high prices and short supply, but that they also offer lower potential returns. In order to achieve our planned development yields, we aim to continue benefiting from our in-house expertise and our network – particularly in the economically strong southern German region – in respect of development projects.

A key pillar of our business model is the management of our property portfolio by in-house VIB personnel. We see a continued opportunity to achieve a high quality standard for our properties as well as low vacancy rates and long remaining rental agreement terms by means of in-house management.

The property portfolio of VIB now comprises 109 properties with a total useful area of 1.16 million sqm. Some of the remaining land within the portfolio offers further development potential in terms of creating new rentable space by means of targeted redensification, i. e. the construction of new buildings and the expansion of existing ones on portfolio sites. This provides VIB with an opportunity to generate additional rental income without having to acquire new land. As the site is already available, the achievable development yields are usually above market level.

For us, a balanced financing mix is another key building block in terms of achieving our growth targets. On the one hand, the debt financing side plays a key role. By virtue of our many years of experience, we have built up a network with financing banks. Thanks to this network and, not least, the continued favourable interest rate environment, we are in a position to agree suitable terms for new and follow-on financing arrangements for our real estate projects. Annuity loans with fixed-interest periods of ten years are our preferred financing option. However, promissory note loans and short-term variable loans, based on EURIBOR, are also used and represent a sensible addition to our debt financing mix.

On the other hand, we also use the spectrum of equity financing possibilities as a company listed in the open market segment. Through active dialogue with the capital market and the high degree of transparency vis-à-vis our investors and analysts, we are able to draw on all forms of equity financing (e. g. mandatory convertible bonds or capital increases) where necessary. The development of the share price is proof of the demand for the VIB share. Over the long term, we have not only outperformed the DAX and SDAX comparative indices, but have also left the EPRA Germany real estate index trailing in our wake in this regard.

In terms of the financing of our company growth, we continue to see an opportunity to agree very favourable terms on both the debt and equity financing sides, which, in turn, may have a positive effect on the earnings position of the company.

SUMMARY OF THE OPPORTUNITIES REPORT

With its business model, VIB Vermögen AG has established itself on the German commercial property market, particularly in the logistics and retail segments. The company holds a real estate portfolio with a long average remaining term of rental agreements of five years and three months, as well as a vacancy rate that has been low for several years.

The increased risks notwithstanding, we believe that VIB is in a strong position to successfully continue its strategy, which is geared towards sustainable growth, and harness market opportunities in this regard as they present themselves in the future.

OUTLOOK

In our twelve-month planning, we assume stable underlying conditions in Germany that will enable the company to grow through targeted in-house property developments, acquisitions and redensification. The company may also sell individual properties as part of its portfolio optimisation.

Revenue planning was carried out on the basis of existing properties as of December 31, 2019. Furthermore, this planning also includes pro rata revenue contributions from properties that will be completed during the course of 2020. Based on these assumptions, we anticipate revenue of EUR 91.0 million to EUR 97.0 million for the 2020 fiscal year (2019: EUR 91.0 million).

Taking current developments into account, we forecast EBT, before valuation effects and extraordinary items, of between EUR 55.0 million and EUR 59.0 million for 2020 (2019: EUR 56.0 million). We expect FFO to increase to between EUR 48.0 million and EUR 52.0 million in the current fiscal year (2019: EUR 48.9 million).

Based on the assumptions made, we expect the vacancy rate to be in the low single-digit percentage range at the end of the 2020 fiscal year (31/12/2019: 1.0%). As rising interest rates are not forecast in the medium term either, we expect a further slight reduction in the average interest rate on our borrowing liabilities as of December 31, 2020 (31/12/2019: 2.10%).

The Managing Board takes the view that potential negative consequences of the coronavirus outbreak are not yet reliably foreseeable, which is why they are not included in this outlook.

Neuburg/Danube, April 17, 2020

Martin Pfandzelter	Holger Pilgenröther
(CEO)	**(CFO)**

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CONSOLIDATED INCOME STATEMENT (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2019, TO DECEMBER 31, 2019

IN EUR THOUSAND	Note	**01/01–31/12/2019**	01/01–31/12/2018
Revenue	D.1	**90,995**	**86,789**
Other operating income	D.2	1,645	1,443
Total operating income		**92,640**	**88,232**
Changes in value for investment properties	D.3	22,319	19,454
Expenses for investment properties	D.4	–16,057	–14,968
Personnel expenses	D.5	–3,861	–3,678
Other operating expenses	D.6	–1,775	–1,780
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**93,266**	**87,260**
Depreciation on intangible assets and amortisation	D.7	–313	–308
Earnings before interest and tax (EBIT)		**92,953**	**86,952**
Profit/loss on equity accounted investments	D.8	450	3
Other interest and similar income	D.9	18	8
Interest and similar expenses	D.10	–14,968	–15,597
Expenses from guaranteed dividends	D.11	–166	–166
Earnings before tax (EBT)		**78,287**	**71,200**
Income tax	D.12	–12,876	–11,305
Consolidated net income		**65,411**	**59,895**
Group shareholders' share of earnings		63,159	57,610
Non-controlling shareholders' share of earnings	D.13	2,252	2,285
EARNINGS PER ORDINARY SHARE (IN EUR)			
Profit/loss on continuing operations	D.14	2.29	2.09
Undiluted earnings per share		**2.29**	**2.09**
DILUTED EARNINGS PER SHARE (IN EUR)			
Profit/loss on continuing operations	D.14	2.29	2.09
Diluted earnings per share		**2.29**	**2.09**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2019, TO DECEMBER 31, 2019

IN EUR THOUSAND	Note	**2019**	2018
Consolidated net income		**65,411**	**59,895**
Other income			
Other comprehensive income to be reclassified to the income statement in subsequent periods			
Foreign currency effects from the translation of independent subsidiaries		86	–6
Income tax effect		0	0
		86	**–6**
Cash flow hedges – value changes to effective hedges		1,747	1,923
Income tax effect	D.21	–250	–280
		1,497	**1,643**
Other comprehensive income to be reclassified to the income statement in subsequent periods		**1,583**	**1,637**
Other comprehensive income not to be reclassified to the income statement in subsequent periods			
Actuarial gains/losses Pension plans		–365	122
Income tax effect	D.21	58	–19
		–307	**103**
Other comprehensive income not to be reclassified to the income statement in subsequent periods		**–307**	**103**
Other comprehensive income after tax		**1,276**	**1,740**
Total comprehensive income after tax		**66,687**	**61,635**
Total comprehensive income attributable to:			
Group shareholders		64,400	59,310
Non-controlling shareholders		2,287	2,325

CONSOLIDATED BALANCE SHEET (IFRS)

AS OF DECEMBER 31, 2019

ASSETS

IN EUR THOUSAND	Note	**31/12/2019**	31/12/2018
Non-current assets			
Intangible assets		2	5
Property, plant and equipment	D.16	10,031	8,037
Investment properties	D.17	1,296,352	1,182,548
Interests in associated companies and joint ventures	D.18	11,941	6,238
Total non-current assets		**1,318,326**	**1,196,828**
Current assets			
Receivables and other assets	D.19	3,555	5,983
Bank balances and cash in hand	D.20	36,738	31,015
Prepayments and accrued income		1,112	1,082
Total current assets		**41,405**	**38,080**
Total assets		**1,359,731**	**1,234,908**

EQUITY AND LIABILITIES

IN EUR THOUSAND	Note	31/12/2019	31/12/2018
Equity	D.21		
Subscribed share capital		27,580	27,580
Share premium account		191,218	191,218
Retained earnings		85,559	75,766
Cumulative earnings		248,539	212,680
Cash flow hedges		–929	–2,387
Foreign currency translation		22	–64
Equity attributable to shareholders of the parent company		**551,989**	**504,793**
Non-controlling shareholders' share of earnings		25,306	22,800
Total equity		**577,295**	**527,593**
Non-current liabilities			
Financial liabilities	D.22	680,915	607,849
Derivative financial instruments	D.23	1,161	2,908
Deferred taxes	D.24	59,824	52,248
Pension provisions	D.25	2,928	2,363
Total non-current liabilities		**744,828**	**665,368**
Current liabilities			
Financial liabilities	D.26	27,687	33,264
Income tax liabilities	D.28	1,669	599
Liabilities to participating interests	D.29	827	827
Other liabilities	D.30	7,298	7,120
Accruals and deferred income		127	137
Total current liabilities		**37,608**	**41,947**
Total equity and liabilities		**1,359,731**	**1,234,908**

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2019, TO DECEMBER 31, 2019

IN EUR THOUSAND	Note	**01/01–31/12/2019**	01/01–31/12/2018
A. Cash flow from operating activities			
Net income for the year (after tax)		65,411	59,895
+/– Net interest result	D.9, 10	14,950	15,589
+/– Income tax expense	D.12	12,876	11,305
+/– Depreciation/appreciation on fixed assets	D.7	312	308
+/– Increase/decrease in provisions		565	75
+/– Fair value changes to investment properties	D.3	–22,319	–19,454
+/– Earnings attributable to associated companies	D.8	–450	–3
+/– Income taxes paid		–4,422	–5,223
Cash flow from operating activities after tax (before interest expense)		**66,923**	**62,492**
+/– Other non-cash expenses/income		–365	122
+/– Changes in inventories, receivables and other assets not attributable to investing activities		2,399	–1,601
+/– Change in liabilities not attributable to financing activities		168	–286
Cash flow from operating activities (before interest expense)		**69,125**	**60,727**
B. Cash flow from investing activities			
– Payments made for investments in intangible assets		–2	0
– Payments made for investments in property, plant and equipment	D.16	–2,301	–52
– Payments made for investments in investment properties	D.17	–93,051	–66,376
– Payments made for investments in financial assets	D.18	–5,317	–1,023
– Payments made for the acquisition of subsidiaries		–9,201	0
+ Proceeds from the disposal of fixed assets and investment properties		11,575	0
Cash flow from investing activities		**–98,297**	**–67,451**

IN EUR THOUSAND	Note	**01/01–31/12/2019**	01/01–31/12/2018
C. Cash flow from financing activities			
+ Proceeds from the drawing down of borrowings	D.32	107,500	56,430
– Payments to company owners and non-controlling shareholders (dividends)	D.14	–18,823	–17,397
– Outgoing payments for the redemption of borrowings	D.32	–40,011	–23,748
+/– Payments received from non-controlling shareholders		1,115	0
+ Interest received	D.9	18	8
+ Dividends received		64	64
– Interest paid	D.10	–14,968	–15,597
Cash flow from financing activities		**34,895**	**–240**
D. Cash and cash equivalents at end of period			
Net change in cash and cash equivalents			
+/– Cash flow from operating activities		69,125	60,727
+/– Cash flow from investing activities		–98,297	–67,451
+/– Cash flow from financing activities		34,895	–240
Change in cash flow		**5,723**	**–6,964**
Cash and cash equivalents at start of period	D.20	31,015	37,979
Cash and cash equivalents at end of period	D.20	**36,738**	**31,015**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

FOR THE PERIOD FROM JANUARY 1, 2019, TO DECEMBER 31, 2019

IN EUR THOUSAND
Balance 01/01/2019
Net income for the period
Other income
Total income
Transfers to retained earnings
Initial consolidation of VST GmbH
Dividends paid
Balance 31/12/2019

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

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

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**	**75,766**	**212,680**	**–2,387**	**–64**	**504,793**	**22,800**	**527,593**
0	0	0	63,159	0	0	63,159	2,252	65,411
0	0	0	–303	1,458	86	1,241	35	1,276
0	**0**	**0**	**62,856**	**1,458**	**86**	**64,400**	**2,287**	**66,687**
0	0	9,070	–9,070	0	0	0	0	0
0	0	723	0	0	0	723	1,115	1,838
0	0	0	–17,927	0	0	–17,927	–896	–18,823
27,580	**191,218**	**85,559**	**248,539**	**–929**	**22**	**551,989**	**25,306**	**577,295**
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2019 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 86633 Neuburg/Danube, Tilly-Park 1, 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 (11) 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 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 IFRS

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 (IFRS IC) and the Standing Interpretations Committee (SIC) which applied in the EU on December 31, 2019. 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).

The IASB has issued the following **new standards and interpretations, as well as amendments to existing standards,** whose application is either mandatory or optional. Amendments to the wording of individual IFRSs aim to provide clarity in respect of the existing regulations. Furthermore, there are amendments that affect accounting, recognition, measurement and the disclosures required in the Notes.

Standard/interpretation	Subject of standard/interpretation	Mandatory application
IFRS 16	Leases	for fiscal years commencing on or after January 1, 2019
Amendments to IFRS 9	Prepayment features with negative compensation	for fiscal years commencing on or after January 1, 2019
Amendments to IAS 19	Plan amendment, curtailment or settlement	for fiscal years commencing on or after January 1, 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	for fiscal years commencing on or after January 1, 2019
IFRIC 23	Uncertainty over income tax treatments	for fiscal years commencing on or after January 1, 2019
Other	Improvements to IFRSs (2015 bis 2017)	for fiscal years commencing on or after January 1, 2019

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 was mandatory for the first time in the year under review.

IFRS 16 does not result in any significant changes for VIB as a lessor. Due to the insignificant volume of leases at the company in 2019 where the Group is the lessee, the effects of IFRS 16 are of minor importance (cf. Chapter D. 34 "Leases").

IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS

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. This results in no changes for the VIB Group.

The Group considers tax circumstances individually for each taxable entity. The income tax treatment of business transactions mostly relates to entities in Germany, with cross-border matters playing a lesser role. There were no significant discretionary judgements that led to uncertain tax treatments. The Group does not expect that the tax treatment will be rejected by the tax authorities. Therefore, the introduction of the interpretation has no effect on the consolidated financial statements.

Likewise, all other new or amended standards have no effect on the Group's asset, financial and earnings position, as the amendments frequently serve merely to clarify documentation or issues surrounding recognition or do not relate to transactions carried out within the Group.

The IASB has **published the following standards and interpretations which have already been transposed into EU law but whose application was not yet mandatory in the 2019 fiscal year.** The Group is not adopting these standards and interpretations early.

Standard/interpretation	Subject of standard/interpretation	Mandatory application
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform (IBOR reform)	for fiscal years commencing on or after January 1, 2020
Amendments to IAS 1 and IAS 8	Definition of materiality	for fiscal years commencing on or after January 1, 2020
Other	Amendments to references to the Conceptual Framework in IFRSs	for fiscal years commencing on or after January 1, 2020

The amended standards have no effect on the Group's asset, financial and earnings position, as the amendments frequently serve merely to clarify documentation or issues surrounding recognition or do not relate to transactions carried out within the Group.

The IASB has **published the following standards and interpretations whose application was not yet mandatory in the 2019 fiscal year.** These standards and interpretations **have not yet been enacted by the EU.**

Standard/interpretation	Subject of standard/interpretation	Mandatory application
Amendments to IAS 1	Classification of liabilities as current or non-current	for fiscal years commencing on or after January 1, 2022
Amendments to IFRS 3	Definition of a business	for fiscal years commencing on or after January 1, 2020
IFRS 17	Insurance contracts	for fiscal years commencing on or after January 1, 2021

The Group intends to apply all amendments to standards and changes to interpretations as of the stipulated implementation date in each case.

In October 2018, the IASB published amendments to the definition of a business in IFRS 3. The aim is to make it easier for companies to decide whether an acquired group of activities and assets constitutes a business. As the amendments are to be applied prospectively on transactions that occur at or after the time of initial application of the amendments, there will be no effect on the Group as of the date of transition.

The newly introduced standard IFRS 17 is not applicable to the Group and will therefore have no effect on the Group's asset, financial and earnings position.

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 annual 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.

INTERESTS IN ASSOCIATES AND JOINT VENTURES

An associate is a company in which the Group has significant influence. "Significant influence" is the ability to participate in the financial and business policy decisions of the associate, but does not mean control or the joint control of decision-making processes.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations used to determine the existence of significant influence or joint control are comparable to those used to determine the existence of control in respect of subsidiaries. The Group's interest in an associate or a joint venture is accounted for using the equity method.

In accordance with the equity method, the interest in an associate or joint venture is recognised at cost at the time of initial recognition. The carrying amount of the interest is adjusted to record changes in the Group's share of the net assets of the associate or joint venture from the time of acquisition. The goodwill related to the associate or joint venture is included within the carrying amount of the interest and is neither subject to scheduled amortisation nor to an individual impairment test.

The Group's share of the profits and losses of associates or joint ventures 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 associates or joint ventures reduce their carrying amounts.

As of December 31, 2019, the following companies were carried as associates and joint ventures according to the equity method:

› BHB Brauholding Bayern-Mitte AG (34.2% interest)
› KHI Immobilien GmbH (41.7% interest)
› WVI GmbH (50.0% interest)

The associates' and joint ventures' 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 "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 business activities of the company, all properties let to third parties are classed as investment properties pursuant to IAS 40. Newly acquired properties are valued 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 performed at fair value and recognised in profit or loss, less the ancillary costs that would be incurred by a typical potential buyer.

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. 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 for the overwhelming majority of investment properties under construction. As of December 31, 2019, these were consequently measured at amortised cost in line with IAS 16.

LEASES

The Group assesses whether a contract is, or includes, a lease at the inception of the contract. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

THE VIB AG GROUP AS THE LESSEE

As the lessee, the Group has only concluded contracts in an insignificant volume.

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.

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

The category “liabilities” has the greatest significance for the consolidated financial statements.

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

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.

SUBSEQUENT MEASUREMENT

The subsequent measurement of financial liabilities depends on their classification.

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.

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 registered 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 2020 fiscal year.

INFORMATION ABOUT SUBSIDIARIES

As of December 31, 2019, 13 (previous year: 12) companies were included in the consolidated financial statements of VIB Vermögen AG alongside the parent company.

Subsidiaries included in the consolidated financial statements as of December 31, 2019:

Company	Headquarters	Voting rights and equity interest (in %)	
		31/12/19	31/12/18
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
VST Immobilien GmbH	Neuburg/Danube	89.90	–/–
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

In the 2019 fiscal year, VIB Vermögen AG purchased the majority of shares in VST Immobilien GmbH (89.90%). From the point of view of the Group, a property held for rental and value appreciation purposes (an investment property) with a market value of EUR 18,600 thousand and the financial liabilities recognised on the company's balance sheet in the amount of EUR 7,524 thousand were acquired in connection with the purchase of shares, which was recognised as an acquisition of a group of assets. Otherwise, there were no significant changes to the group of subsidiaries compared to the previous year.

The interests shown correspond to the proportional 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. It shows information from the companies' IFRS reporting packages.

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)	
		31/12/19	31/12/18	**2019**	2018	**31/12/19**	31/12/18
BBI Bürgerliches Brauhaus Immobilien AG	Ingolstadt	5.12	5.12	344	310	6,235	5,855
Interpark Immobilien GmbH	Ingolstadt	26.0	26.0	693	843	6,474	6,204
ISG Infrastrukturelle Gewerbeimmobilien GmbH	Ingolstadt	25.0	25.0	430	538	5,279	5,024
Subsidiaries with individually immaterial non-controlling interests						7,318	5,717
Total sum of non-controlling interests						**25,306**	22,800

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. The non-current assets chiefly relate to investment properties valued in accordance with IAS 40.

BBI BÜRGERLICHES BRAUHAUS IMMOBILIEN AG

IN EUR THOUSAND	**31/12/19**	31/12/18
Non-current assets	227,165	209,715
Current assets	3,158	16,834
Non-current liabilities	109,373	113,046
Current liabilities	11,798	10,539
Interest in equity attributable to parent company shareholders	103,566	97,694
Non-controlling shareholders	5,586	5,269

IN EUR THOUSAND	**2019**	2018
Revenue	14,678	14,634
Other income	3,489	2,284
Expenses	–12,665	–11,784
Net profit for the year	**5,502**	**5,134**
Net profit for the year attributable to parent company shareholders	5,220	4,871
Net profit for the year attributable to non-controlling shareholders	282	263
Total net income for the year	**5,502**	**5,134**
Other comprehensive income attributable to parent company shareholders	652	817
Other comprehensive income attributable to non-controlling shareholders	35	44
Total other comprehensive income	**687**	**861**
Total comprehensive income attributable to parent company shareholders	5,872	5,688
Total comprehensive income attributable to non-controlling shareholders	317	307
Total income	**6,189**	**5,995**
Dividends paid to non-controlling shareholders	—	—
Net cash flows from operating activities	15,012	12,576
Net cash flows from investing activities	–14,740	–2,129
Net cash flows from financing activities	–11,977	–2,670
Total net cash flows	**–11,705**	**7,777**

INTERPARK IMMOBILIEN GMBH

IN EUR THOUSAND	**31/12/19**	31/12/18
Non-current assets	47,791	47,351
Current assets	1,386	1,554
Non-current liabilities	23,253	24,015
Current liabilities	1,026	1,029
Interest in equity attributable to parent company shareholders	18,425	17,657
Non-controlling shareholders	6,473	6,204

IN EUR THOUSAND	**2019**	2018
Revenue	3,621	3,591
Other income	440	1,185
Expenses	–1,394	–1,535
Net profit for the year	**2,667**	**3,241**
Net profit for the year attributable to parent company shareholders	1,974	2,398
Net profit for the year attributable to non-controlling shareholders	693	843
Total net income for the year	**2,667**	**3,241**
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	1,974	2,398
Total comprehensive income attributable to non-controlling shareholders	693	843
Total income	**2,667**	**3,241**
Dividends paid to non-controlling shareholders	424	416
Net cash flows from operating activities	2,899	2,891
Net cash flows from investing activities	0	–17
Net cash flows from financing activities	–3,057	–3,027
Total net cash flows	**–158**	**–153**

ISG INFRASTRUKTURELLE GEWERBEIMMOBILIEN GMBH

IN EUR THOUSAND	**31/12/19**	31/12/18
Non-current assets	37,169	37,099
Current assets	313	389
Non-current liabilities	15,138	16,210
Current liabilities	1,256	1,209
Interest in equity attributable to parent company shareholders	15,817	15,052
Non-controlling shareholders	5,272	5,017

IN EUR THOUSAND	**2019**	2018
Revenue	2,579	2,572
Other income	70	630
Expenses	–929	–1,048
Net profit for the year	**1,720**	**2,154**
Net profit for the year attributable to parent company shareholders	1,290	1,616
Net profit for the year attributable to non-controlling shareholders	430	539
Total net income for the year	**1,720**	**2,154**
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	1,290	1,616
Total comprehensive income attributable to non-controlling shareholders	430	539
Total income	**1,720**	**2,154**
Dividends paid to non-controlling shareholders	175	150
Net cash flows from operating activities	2,180	2,161
Net cash flows from investing activities	0	0
Net cash flows from financing activities	–2,255	–2,146
Total net cash flows	**–75**	**15**

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	**2019**	2018
Revenue from rents excluding utilities charges	79,200	75,018
Revenue from passed-on land tax and building insurance	2,120	2,020
Revenue from operating costs	8,881	8,646
Other revenue	794	1,105
	90,995	**86,789**

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

The land taxes and building insurance premiums from which the tenant derives no separate use are recognised as revenue from charges passed on to third parties.

The corresponding costs for the accessing of such services are recognised under the item "Expenses for investment properties".

In respect of the operating costs charged to tenants in connection with the letting of investment properties, VIB holds the status of principal rather than that of an agent. As such, these ancillary costs billed to tenants are to be classed as revenue.

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

2. OTHER OPERATING INCOME

IN EUR THOUSAND	**2019**	2018
Other operating revenue	1,645	1,443
	1,645	**1,443**

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".

3. CHANGES IN VALUE FOR INVESTMENT PROPERTIES

IN EUR THOUSAND	2019	2018
Reversals to impairment charges arising from changes in market value IAS 40	29,509	27,686
Impairment charges arising from changes in market value IAS 40	–7,190	–8,232
	22,319	**19,454**

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 the majority of the properties still being developed, these are mostly measured and recognised at amortised cost.

Reversals to impairment losses of EUR 29,509 thousand are composed as follows:

IN EUR THOUSAND	2019	2018
Increase in the value of development projects and acquisitions after completion of the development/start of property use	8,200	8,524
Increases in the value of portfolio properties	15,321	19,162
Increases in the value of properties under construction as per the PoC method	5,988	0
	29,509	**27,686**

4. EXPENSES FOR INVESTMENT PROPERTIES

The expenses connected with investment properties are composed as follows:

IN EUR THOUSAND	2019	2018
Land expenses/operating costs	11,919	11,683
Maintenance expenses	4,138	3,285
	16,057	**14,968**

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	2019	2018
Wages and salaries	3,115	2,975
Social security contributions	746	703
	3,861	**3,678**

The VIB Group employed an average of 39 employees excluding the two Managing Board members (previous year: 38).

6. OTHER OPERATING EXPENSES

Other operating expenses fell slightly from EUR 1,780 thousand in the previous year to EUR 1,775 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	2019	2018
Amortisation	5	9
Depreciation	307	299
	312	**308**

The rise in depreciation on property, plant and equipment from EUR 299 thousand in the previous year to EUR 307 thousand in the year under review results from the acquisition of new property, plant and equipment and operating and office equipment.

8. PROFIT/LOSS ON EQUITY-ACCOUNTED INVESTMENTS

The income is due to the following participating interests in associates and joint ventures:

IN EUR THOUSAND	2019	2018
BHB Brauholding Bayern-Mitte AG	488	16
KHI Immobilien GmbH	–33	–13
WVI GmbH	–5	0
	450	**3**

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 18 thousand (previous year: EUR 8 thousand) is mostly due to interest on current account balances and demand deposits as well as loans comprising part of financial assets.

10. INTEREST AND SIMILAR EXPENSES

Interest and similar expenses in the amount of EUR 14,968 thousand (previous year: EUR 15,597 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 13,175 thousand in the fiscal year under review (previous year: EUR 13,514 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	**2019**	2018
Current income tax expense	5,491	5,038
Deferred income tax expense	7,385	6,267
Expense from taxes on income	**12,876**	**11,305**

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	**2019**	2018
Earnings before income taxes	78,287	71,200
Anticipated income tax rate: 15.825%		
Anticipated income tax expense	12,389	11,267
Prior years' taxes (current and deferred)	0	–2
Tax impact of subsidiaries and equity accounted investments	–71	0
Corporation tax on compensation payment	26	26
Tax rate differences (trade tax)	26	11
Tax-free income (especially Sect. 8b KStG)	33	38
Tax-neutral effects from impairments on positive initial consolidation processes (IAS 12,22c)	202	0
Tax effects from 6b (reserves)	245	0
Non-tax-deductible expenses	20	19
Other	6	–54
Reported income tax expense	**12,876**	**11,305**
Effective tax rate	16.45%	15.88%

13. NON-CONTROLLING SHAREHOLDERS' SHARE OF EARNINGS

The consolidated net income in the amount of EUR 65,411 thousand includes shares attributable to non-controlling shareholders (BBI Immobilien AG, IPF 1 GmbH, IPF 2 GmbH, VST Immobilien GmbH, ISG Infrastrukturelle Gewerbeimmobilien GmbH, Interpark Immobilien GmbH, VSI GmbH, IVM Verwaltung GmbH) in the amount of EUR 2,252 thousand (previous year: EUR 2,285 thousand).

14. EARNINGS PER SHARE

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

IN EUR THOUSAND	**2019**	2018
Earnings		
Consolidated net income	65,411	59,895
Less: earnings attributable to non-controlling interests	–2,252	–2,285
Basis for undiluted earnings per share	**63,159**	**57,610**
Less: Profit/loss on discontinued operations	0	0
Basis for undiluted earnings per share for continuing operations	**63,159**	**57,610**
Impact of potentially dilutive shares	0	0
Basis for diluted earnings per share	**63,159**	**57,610**
Less: Profit/loss on discontinued operations	0	0
Basis for diluted earnings per share for continuing operations	**63,159**	**57,610**
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)	**2.29**	**2.09**
Undiluted earnings per share for continuing operations (in EUR)	**2.29**	**2.09**
Diluted earnings per share (in EUR)	**2.29**	**2.09**
Diluted earnings per share for continuing operations (in EUR)	**2.29**	**2.09**

DIVIDENDS PAID

In the 2019 fiscal year, and according to the resolution of the Annual General Meeting on July 4, 2019, an amount of EUR 17,926,856.35 (previous year: EUR 16,547,867.40) was disbursed from the 2018 net retained profit of VIB Vermögen AG. This corresponds to a dividend of EUR 0.65 per share (previous year: EUR 0.60 per share).

The Managing and Supervisory Boards of VIB Vermögen AG will propose to the shareholders at the company's 2020 Annual General Meeting that an amount of EUR 0.70 per share for the 2019 fiscal year be disbursed from the net retained profit of VIB Vermögen AG (total of EUR 19,305,845.30).

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, 2019

	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 17)					
Logistics/Light industry	31/12/19	781,490	—	—	781,490
Retail	31/12/19	322,130	—	—	322,130
Office	31/12/19	39,510	—	—	39,510
Commercial buildings/other	31/12/19	37,640	—	—	37,640
Liabilities measured at fair value					
Derivative financial liabilities (Note 27)					
Interest rate swaps	31/12/19	1,161	—	1,161	—
Liabilities for which fair value is reported in the notes					
Interest-bearing loans (Note 37)					
Fixed-interest loans	31/12/19	722,614	—	722,614	—

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 17)					
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
Assets held for sale					
Derivative financial liabilities (Note 27)					
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	—

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

16. 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 01/01/2019	**7,579**	**1,908**	**0**	**9,487**
Additions	3	100	2,197	2,300
Disposals	0	–19	0	–19
Reclassified to investment properties	0	0	0	0
Balance 31/12/2019	**7,582**	**1,989**	**2,197**	**11,768**
Amortisation/impairment as of 01/01/2019	**359**	**1,091**	**0**	**1,450**
Additions	205	102	0	307
Disposals	0	–19	0	–19
Balance 31/12/2019	**564**	**1,174**	**0**	**1,738**
Carrying amount 31/12/2019	**7,018**	**815**	**2,197**	**10,030**
Carrying amount 01/01/2019	**7,220**	**817**	**0**	**8,037**

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**

17. INVESTMENT PROPERTIES

IN EUR THOUSAND	2019	2018
Investment properties, measured at fair value	1,180,770	1,109,450
Property under construction, measured at amortised cost	115,582	73,098
	1,296,352	**1,182,548**

INVESTMENT PROPERTIES, MEASURED AT FAIR VALUE

IN EUR THOUSAND	2019	2018
Carrying amount 01/01	**1,109,450**	**1,043,750**
Additions	19,338	3,158
Disposals	–11,575	0
Reclassified from property under construction	45,856	43,088
Unrealised increases in market value	23,520	27,686
Unrealised deductions in market value	–5,819	–8,232
Carrying amount 31/12	**1,180,770**	**1,109,450**

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 let to renowned tenants on a long-term basis. The properties are subdivided into the categories of logistics/light industry, wholesale/retail, office, and service 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 01/01/2019	**709,050**	**323,790**	**39,040**	**37,570**	**1,109,450**
Changes to consolidation scope	0	0	0	0	0
Additions	19,200	134	4	0	19,338
Disposals	–2,000	–9,575	0	0	–11,575
Reclassified from/to property under construction	40,446	5,410	0	0	45,856
Unrealised market value changes recognised in profit or loss for the period	14,794	2,371	466	70	17,701
Carrying amount 31/12/2019	**781,490**	**322,130**	**39,510**	**37,640**	**1,180,770**

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 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**

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 [1] 2019	Range/value [1] 2018
Logistics/Light industry real estate	Discounted cash flow method	Estimated rent per sqm and month	EUR 3.33 – EUR 14.70 (weighted average: EUR 5.27)	EUR 3.30 – EUR 14.70 (weighted average: EUR 5.16)
		Estimated operating costs per sqm and month	EUR 0.24 – EUR 1.33 (weighted average: EUR 0.39)	EUR 0.24 – EUR 1.33 (weighted average: EUR 0.38)
		Discounting rate	5.80% – 9.00% (weighted average: 6.76%)	5.85% – 9.75%
Retail properties	Discounted cash flow method	Estimated rent per sqm and month	EUR 4.50 – EUR 12.63 (weighted average: EUR 8.05)	EUR 4.50 – EUR 12.63 (weighted average: EUR 8.00)
		Estimated operating costs per sqm and month	EUR 0.06 – EUR 1.53 (weighted average: EUR 0.71)	EUR 0.06 – EUR 1.53 (weighted average: EUR 0.71)
		Discounting rate	5.65% – 7.40% (weighted average: 6.25%)	5.75% – 7.15%
Office Real estate	Discounted cash flow method	Estimated rent per sqm and month	EUR 5.64 – EUR 12.55 (weighted average: EUR 8.09)	EUR 5.67 – EUR 12.49 (weighted average: EUR 8.29)
		Estimated operating costs per sqm and month	EUR 0.64 – EUR 1.43 (weighted average: EUR 0.92)	EUR 0.64 – EUR 1.42 (weighted average: EUR 0.94)
		Discounting rate	5.75% – 8.05% (weighted average: 6.64%)	5.80% – 8.10%
Commercial buildings/other	Discounted cash flow method	Estimated rent per sqm and month	EUR 2.05 – EUR 28.44 (weighted average: EUR 9.08)	EUR 2.05 – EUR 28.44 (weighted average: EUR 9.03)
		Estimated operating costs per sqm and month	EUR 0.19 – EUR 2.66 (weighted average: EUR 0.88)	EUR 0.19 – EUR 2.66 (weighted average: EUR 0.87)
		Discounting rate	3.85% – 7.95% (weighted average: 5.68%)	3.90% – 8.00%

[1] 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).

PROPERTIES UNDER CONSTRUCTION

IN EUR THOUSAND	2019	2018
Carrying amount 01/01	**73,098**	**52,974**
Additions	83,648	63,209
Disposals	–1	0
Exchange rate effects	75	3
Reclassified to investment properties measured at fair value	–45,856	–43,088
Impairment charges relating to reserved plots due to a decrease in market values	4,618	0
Carrying amount 31/12	**115,582**	**73,098**

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.

As a result of factors including the early development phase of the properties, the VIB Group was unable to reliably measure the fair value for the overwhelming majority of investment properties under construction. As of December 31, 2019, these were consequently measured at amortised cost in line with IAS 16. Some properties were measured at fair value on account of the properties' advanced development stage and the precisely predictable future incomes due to pre-letting.

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 ASSOCIATES AND JOINT VENTURES

The investments in associates and joint ventures 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 and joint ventures are regarded as immaterial when taken individually.

IN EUR THOUSAND	**2019**	2018
Carrying amount of Group interests in associates	**11,941**	**6,238**

Summarised information for associates and joint ventures that are individually immaterial:

IN EUR THOUSAND	**2019**	2018
Group interest in profit or loss from continuing operations	450	3
Group interest in total comprehensive income	**450**	**3**

19. RECEIVABLES AND OTHER ASSETS

IN EUR THOUSAND	**2019**	2018
Trade receivables	1,033	1,615
Other assets	2,522	4,368
	3,555	**5,983**

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 66 thousand (previous year: EUR 63 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	**2019**	2018
Balance – start of year	63	52
Additions	18	57
Consumed in derecognition	0	0
Release	–15	–46
	66	**63**

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 registered shares (previous year: 27,579,779). The conversion from bearer to registered shares took place in 2019, 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, 2019 (separate financial statements prepared according to the German Commercial Code [HGB]), the Managing Board of VIB Vermögen AG added EUR 9,071 thousand (previous year: EUR 9,695 thousand) to retained earnings.

ACCUMULATED EARNINGS

The Group's accumulated earnings derive from the previous year's earnings less the distribution for 2018 (EUR 17,927 thousand), the allocations to the retained earnings of the parent company (EUR 9,071 thousand) plus the current consolidated net income from the 2019 fiscal year that is due to Group shareholders (EUR 63,159 thousand) and the corresponding other earnings (excluding the cash flow hedge reserve and foreign currency translation) from the statement of other comprehensive income (EUR –303 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, VST Immobilien GmbH, ISG Infrastrukturelle Gewerbeimmobilien GmbH, Interpark Immobilien GmbH, VSI GmbH and IVM Verwaltung GmbH.

This item changed as follows:

IN EUR THOUSAND	2019	2018
Balance – start of year	22,800	21,321
Distribution to shareholders	–896	–850
Share of annual earnings	2,252	2,285
Non-controlling shareholders' share of other comprehensive income	35	44
Recognition of share of non-controlling shareholders		
VST GmbH	1,115	0
Balance – end of year	**25,306**	**22,800**

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

AUTHORISED CAPITAL

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 total 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. Due to the full conversion of the remaining bonds from the 2013/15 mandatory convertible bond issue in the 2015 fiscal year, this conditional capital was almost fully exhausted as of December 31, 2015. The remaining amount of EUR 451 was annulled by a resolution of the 2019 Annual General Meeting on July 4, 2019.

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. Due to the full conversion of the remaining bonds from the 2014/16 mandatory convertible bond issue in the 2016 fiscal year, this conditional capital was almost fully exhausted as of December 31, 2016. The remaining amount of EUR 166 was annulled by a resolution of the 2019 Annual General Meeting on July 4, 2019.

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 as of December 31, 2019. 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	2019			2018		
	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Foreign currency effects from the translation of independent subsidiaries	86	0	86	–6	0	–6
Mark-to-market valuation of cash flow hedges	1,747	–250	1,497	1,923	–280	1,643
Actuarial gains/losses on pension plans	–365	58	–307	122	–19	103
Income and expenses taken directly to equity	**1,468**	**–192**	**1,276**	**2,039**	**–299**	**1,740**

22. NON-CURRENT FINANCIAL LIABILITIES

IN EUR THOUSAND	2019	2018
Remaining term of between 1 and 5 years	178,966	145,275
Remaining term of more than 5 years	501,949	462,574
	680,915	**607,849**

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

IN EUR THOUSAND	2019	2018
Langfristige Finanzschulden		
VIB Vermögen AG	453,585	415,901
BBI Bürgerliches Brauhaus Immobilien AG	94,460	98,472
KIP Verwaltung GmbH	37,491	0
Interpark Immobilien GmbH	20,637	21,586
VSI GmbH	13,628	14,598
UFH Verwaltung GmbH	13,679	14,148
ISG Infrastrukturelle Gewerbeimmobilien GmbH	12,707	13,911
IPF 2 GmbH	11,219	11,930
IPF 1 GmbH	10,518	11,185
Merkur GmbH	4,375	4,722
IVM Verwaltung GmbH	1,341	1,396
VST Immobilien GmbH	7,275	0
	680,915	**607,849**

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 2020 reporting period.

IN EUR THOUSAND	**2019**	2018
Derivative financial instruments		
Interest rate swaps (payer swaps)	1,161	2,908
	1,161	**2,908**

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	**2019**	2018
Deferred tax assets		
Derivative assets	166	416
Pension provisions/other	205	146
Others	3	49
Total deferred tax assets	**374**	**611**
Deferred tax liabilities		
Investment properties	60,198	52,859
Total deferred tax liabilities	**60,198**	**52,859**
Offsetting of deferred tax assets and liabilities	–374	–611
Carrying amount after offsetting		
Deferred tax assets	**0**	**0**
Deferred tax liabilities	**59,824**	**52,248**

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

Losses carried forward on December 31, 2019, were reported as follows:

- Trade tax EUR 16,731 thousand (previous year: EUR 15,588 thousand)
- Corporation tax EUR 935 thousand (previous year: EUR 487 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 114,058 thousand (previous year: EUR 91,895 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 902 thousand (previous year: EUR 727 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 2,928 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	**2019**	2018
Balance 01/01	**2,363**	**2,288**
Newly acquired benefit entitlements	262	260
Interest expense	47	43
Pensions paid	–108	–105
Actuarial gains/losses		
due to changes in demographic assumptions	66	25
due to changes in financial assumptions	298	–31
due to experience-related adjustments	0	–117
Balance 31/12	**2,928**	**2,363**

Calculated actuarial assumptions:

IN %	**2019**	2018
Discounting rate	1.01 – 1.49	1.73 – 2.19
Pension trend	1.75 – 2.00	1.75 – 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, 2019, generates the following results:

› A 1 percentage point increase in the discount rate results in a EUR –410 thousand decrease in the DBO, and a EUR 11 thousand increase in the interest cost.
  A 1 percentage point decrease in the discount rate results in a EUR 525 thousand increase in the DBO, and a EUR -34 thousand decrease in the interest cost.
› A 1 percentage point increase in pension growth results in a EUR 391 thousand increase in the DBO, and a EUR 3 thousand decrease in the interest cost.
  A 1 percentage point decrease in pension growth results in a EUR –325 thousand decrease in the DBO, and a EUR 13 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	**2019**	2018
Over the next 12 months	111	106
Between 2 and 5 years	430	414
Between 5 and 10 years	592	521
More than 10 years	1,795	1,322
Expected outgoing payments	**2,928**	**2,363**

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

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	**2019**	2018
VIB Vermögen AG	17,495	14,000
KIP Verwaltung GmbH	509	10,000
BBI Bürgerliches Brauhaus Immobilien AG	4,039	4,114
ISG Infrastrukturelle Gewerbeimmobilien GmbH	1,204	1,163
Interpark Immobilien GmbH	949	928
IPF 1 GmbH	667	644
IPF 2 GmbH	712	687
VSI GmbH	1,003	922
UFH Verwaltung GmbH	469	461
VST Immobilien GmbH	225	0
IVM Verwaltung GmbH	55	54
Merkur GmbH	360	291
	27,687	**33,264**

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 2019 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.

As in the previous year, no obligations entailing significant uncertainties existed as of December 31, 2019. As a consequence, all corresponding amounts are reported among liabilities.

28. INCOME TAX LIABILITIES

The reported income tax liabilities of EUR 1,669 thousand (previous year: EUR 599 thousand) mainly relate to current tax liabilities for 2019 relating to VIB AG (EUR 1,545 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 in the amount of EUR 827 thousand (previous year: EUR 827 thousand).

30. OTHER LIABILITIES

IN EUR THOUSAND	**2019**	2018
Trade payables	1,742	1,944
Other current liabilities	5,556	5,176
	7,298	**7,120**

Other current liabilities mainly relate to liabilities from outstanding property-related invoices, bonus payments, operating cost rebates, 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 (the “Rental and Management of 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 36,738 thousand (previous year: EUR 31,015 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	31/12/18	Cash	Addition/ disposal	Interest	Reclassification	31/12/19
Development of financial liabilities						
Non-current financial liabilities	607,849	100,753	0	0	–27,687	680,915
Current financial liabilities	33,264	–33,264	0	0	27,687	27,687
Total financial liabilities	**641,113**	**67,489**	**0**	**0**	**0**	**708,602**

			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	53,817	0	0	–33,264	607,849
Current financial liabilities	21,135	–21,135	0	0	33,264	33,264
Total financial liabilities	**608,431**	**32,682**	**0**	**0**	**0**	**641,113**

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, 2019, or in the previous year.

Shares in the provident fund of Bürgerliches Brauhaus Ingolstadt GmbH were transferred to BHB Brauholding Bayern-Mitte AG in 2010. BBI Bürgerliches Brauhaus Immobilien AG is indirectly liable on the basis of subsidiary liability for the 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 44,732 thousand (previous year: EUR 45,532 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 2020, VIB AG will receive the following minimum lease payments from uncancellable existing rental agreements.

IN EUR THOUSAND	2019	2018
Due within one year	78,789	76,410
Due within 1 to 5 years	212,199	205,184
Due in more than 5 years	144,951	148,759
	435,939	**430,353**

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 201 thousand (previous year: EUR 404 thousand) of contingent rental payments in the fiscal year under review.

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, 2019, 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 31/12/2019						
due in 1–12 months	3,938	36,702	1,742	4,498	1,134	**48,014**
due in 12–60 months	14,186	207,757	0	0	0	**221,943**
due in > 60 months	24,530	625,463	0	0	0	**649,993**
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**

The average interest rate on the variable-rate financial loans amounted to 1.03% as of December 31, 2019 (previous year: 0.94%). The average interest rate on the fixed-rate financial loans amounted to 2.15% as of December 31, 2019 (previous year: 2.44%).

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 2019, earnings would have been approx. EUR 384 thousand (previous year: EUR 491 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	Trade receivables	Other financial receivables and assets
Loans and receivables – 31/12/2019		
Gross carrying amount	1,099	2,521
of which overdue, but not-value adjusted	0	0
of which value-adjusted	164	0
Loans and receivables – 31/12/2018		
Gross carrying amount	1,677	4,368
of which overdue, but not-value adjusted	0	0
of which value-adjusted	342	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.

2019

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 (CF hedge) (measured at fair value directly in equity)

IFRS 13 fair value category	Carrying amount as of 31/12/2019	Fair value as of 31/12/2019	of which at amortised cost	of which at fair value through profit or loss	of which at fair value through equity
n. a.	1,033	n. a.	1,033	—	—
n. a.	2,521	n. a.	2,521	—	—
n. a.	36,738	n. a.	36,738	—	—
Level 2	34,479	n. a.	34,479	—	—
Level 2	674,080	722,614	674,080	—	—
Level 2	1,161	1,161	—	—	1,161
n. a.	827	n. a.	827	—	—
n. a.	1,742	n. a.	1,742	—	—
n. a.	4,498	n. a.	4,498	—	—
	40,292				
	715,626				
	1,161				

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 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 (CF hedge) (measured at fair value directly in equity)

Measurement categories as per IFRS 13	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	—	—
Stufe 2	49,848	n. a.	49,848	—	—
Stufe 2	591,266	630,289	591,266	—	—
Stufe 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				

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).

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, 2019.
- 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, 2019; 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	**2019**	2018
Loans and receivables	3	11
Bank balances and cash in hand	18	8
of which: held for trading	0	0
Financial liabilities measured at amortised cost	–13,435	–13,687
Derivative financial instruments designated and effective as hedging instruments (cash flow hedges)	–46	–160
of which in consolidated profit or loss	–1,793	–2,083
of which in other comprehensive income	1,747	1,923

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 260 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 66 thousand relating to financial assets were expensed during the period (previous year: EUR 63 thousand). The impairment losses relate to specific valuation allowances applied to trade receivables. Reversals of valuation allowances applied to trade receivables amounted to EUR 15 thousand in the year under review (previous year: EUR 46 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	**31/12/2019**	31/12/2018
Equity	577,295	527,593
Equity as a % of total capital	42.5	42.7
Liabilities	782,436	707,315
Liabilities as a % of total capital	57.5	57.3
	1,359,731	**1,234,908**

39. THE COMPANY'S BOARDS

During the 2019 fiscal year, the company's Managing Board comprised:

Martin Pfandzelter, Chief Executive Officer,
business administration graduate (Diplom-Kaufmann), Neuburg/Danube
As of 31/12/2019, Mr Pfandzelter performs no functions on controlling bodies.

Holger Pilgenröther, Chief Financial Officer,
business studies graduate (Diplom-Betriebswirt), Neuburg/Danube
As of 31/12/2019, Mr Pilgenröther performs no functions on controlling bodies.

In the 2019 fiscal year, the Supervisory Board comprised the following members:

- Mr Ludwig Schlosser, mathematics graduate (Diplom-Mathematiker), Managing Director of Boston Capital GmbH (member since 04/07/2019; Chairman since 22/10/2019)
- Mr Franz-Xaver Schmidbauer, engineering graduate (Diplom-Ingenieur), Managing Director of FXS Vermögensverwaltung GmbH (Chairman until 22/10/2019)
- Mr Jürgen Wittmann, Sparkasse Ingolstadt Eichstätt (Ingolstadt Eichstätt savings bank) Managing Board member (Deputy Supervisory Board Chairman)
- Mr Rolf Klug, businessman

With the exception of Mr Ludwig Schlosser, 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 the subsidiary BBI Bürgerliches Brauhaus Immobilien Aktiengesellschaft by its Managing and Supervisory Boards in December 2019 (and previously in December 2018), 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 1,070 thousand (previous year: EUR 1,072 thousand), of which EUR 700 thousand came in the form of performance-related remuneration (previous year: EUR 705 thousand) and EUR 28 thousand in the form of other fringe benefits (previous year: EUR 25 thousand). In addition, pension contributions of EUR 225 thousand (previous year: EUR 224 thousand) for serving and former Managing Board members are included in personnel expenses. Pension payments of EUR 37 thousand were made to former Managing Board members in the year under review (previous year: EUR 36 thousand).

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 208 thousand in the fiscal year under review (previous year: EUR 185 thousand).

43. AUDITOR'S FEES

The expenses reported in the 2019 fiscal year for the auditor of the parent company relating to audit services amount to EUR 93 thousand for 2019 and EUR 93 thousand for 2018, A total of EUR 0 thousand (previous year: EUR 0 thousand) was reported for other certification services.

44. EVENTS AFTER THE REPORTING DATE

In light of the coronavirus crisis, the overall economic situation is expected to worsen in 2020. As regards the company, this could result in risks arising from rental deferrals and lost earnings, as well as risks connected with delays in the completion of modernisation and new construction work. At the present time, it is not yet possible to conclusively evaluate these risks in terms of the likelihood of their occurrence and the scale of their impact on liquidity and earnings. Despite the coronavirus pandemic, VIB does not anticipate long-term negative impacts on the property market. As such, stable property values are expected.

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 48.9 million (previous year: EUR 51.4 million). The company has also taken out multiple loans in a total amount of EUR 2.4 million (previous year: EUR 2.3 million) with VR Bank Neuburg-Rain eG. Supervisory Board member and Chairman Ludwig Schlosser is also the Chairman of the bank's Supervisory Board. 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 (Tschechien)	100.00
IPF 1 GmbH, Neuburg	94.98
IPF 2 GmbH, Neuburg	94.98
BBI Bürgerliches Brauhaus Immobilien AG, Ingolstadt	94.88
VST Immobilien GmbH, Neuburg a. d. Donau	89.90
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
WVI GmbH, Neuburg a. d. Donau***	50.00
BHB Brauholding Bayern-Mitte AG, Ingolstadt */***	34.18
KHI Immobilien GmbH, Neuburg a. d. Donau **/***	41.66

* Indirect interest
** Direct and indirect interest
*** Inclusion as per the equity method

47. EMPLOYEES

The company employed an average of 39 staff in the 2019 fiscal year (previous year: 38 staff).

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR PUBLICATION PURSUANT TO IAS 10,17

The Managing Board approved these consolidated financial statements for publication on April 17, 2020. The Supervisory Board's task is to review the consolidated financial statements and declare whether it approves the consolidated financial statements.

Neuburg a.d.Donau, April 17, 2020

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, 2019, the consolidated income statement for the fiscal year from January 1, 2019, to December 31, 2019, the consolidated statement of comprehensive income for the fiscal year from January 1, 2019, to December 31, 2019, the consolidated statement of changes in equity for the fiscal year from January 1, 2019, to December 31, 2019, the consolidated cash flow statement for the fiscal year from January 1, 2019, to December 31, 2019, 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, 2019, to December 31, 2019.

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, 2019, as well as its earnings position for the fiscal year from January 1, 2019, to December 31, 2019, 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 17, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Horbach	Ehrnböck
(Auditor)	(Auditor)

FINANCIAL CALENDAR

March 25, 2020
Publication of 2019 interim figures

April 30, 2020
Publication of the 2019 Annual Report

May 13, 2020
Publication of the 2020 Q1 interim report

July 2, 2020
Annual General Meeting

August 7, 2020
Publication of the 2020 half-yearly report

November 11, 2020
Publication of the 2020 Q3 interim report

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KEY GROUP INDICATORS 5-YEAR OVERVIEW

IN EUR THOUSAND	2015	2016	2017	2018	**2019**
Income statement					
Revenue	75,133	79,549	83,550	86,789	90,995
Changes in value for investment properties	16,410	18,018	17,380	19,454	22,319
EBT (earnings before tax)	52,788	58,820	64,453	71,200	78,287
EBT excluding valuation effects and extraordinary items	36,510	40,802	47,073	51,746	55,968
Consolidated net income	44,047	49,403	53,938	59,895	65,411
Earnings per share (in EUR), undiluted/diluted	1.46	1.71	1.87	2.09	2.29
Balance sheet					
Total assets	1,009,352	1,116,768	1,153,741	1,234,908	1,359,731
Investment properties	969,022	1,061,773	1,096,724	1,182,548	1,296,352
Equity	406,754	443,527	483,355	527,593	577,295
Equity ratio (in %)	40.3	39.7	41.9	42.7	42.5
Net debt	517,393	574,917	570,452	610,098	671,864
LTV (loan-to-value ratio, in %)	53.1	53.6	51.4	51.0	51.0
NAV (net asset value), undiluted	412,765	470,117	512,547	559,949	612,974
NAV per share (in EUR), undiluted	15.69	17.05	18.58	20.30	22.23
Other key financials					
FFO (funds from operations)	32,599	35,767	41,194	45,298	48,929
FFO per share (in EUR)	1.18	1.30	1.49	1.64	1.77
Share price (Xetra closing price, in EUR)	17.10	19.67	21.20	21.20	29.80
Number of shares (reporting date: 31/12)	26,308,405	27,579,779	27,579,779	27,579,779	27,579,779
Market capitalisation (reporting date: 31/12)	449,874	542,494	584,691	584,691	821,877
Dividend per share (in EUR)	0.51	0.55	0.60	0.65	0.70[1]
ICR (interest coverage ratio: interest expense/ net basic rents, in %)	31.7	30.0	24.4	21.1	19.1
Average borrowing rate (in %)	3.67	3.11	2.55	2.33	2.1
Real estate KPIs					
Annualised net basic rents	68,027	70,841	73,615	78,249	81,321
Vacancy rate (in %)	1.8	1.3	0.8	0.7	1.0
Rentable space (in sqm)	1,003,959	1,042,769	1,060,896	1,123,271	1,162,586
Rental yield (in %)	7.24	7.14	7.09	7.02	6.92
Average remaining term of rental agreements (in years)	6.3	5.7	5.2	5.4	5.3
EPRA performance indicators					
EPRA earnings	29,056	32,587	37,620	41,777	44,762
EPRA earnings per share (in EUR)	1.05	1.18	1.36	1.51	1.62
EPRA NAV	431,160	470,117	512,547	559,949	612,974
EPRA NAV per share (in EUR)	15.63	17.05	18.58	20.30	22.23
EPRA vacancy rate (in %)	1.8	1.3	0.8	0.7	1.0
EPRA net initial yield (in %)	6.7	6.6	6.6	6.7	6.5
EPRA cost ratio (in %)	14.0	12.4	12.1	11.9	12.2

[1] Management proposal

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