



DEVELOPING VALUES



Half-year Financial Report
2019

KEY GROUP INDICATORS

IN EUR THOUSAND	H1 2019	H1 2018	Change in %
Income statement			
Revenue	45,084	42,575	+5.9
Changes in value for investment properties	2,276	2,380	-4.4
EBT (earnings before tax)	29,953	27,344	+9.5
EBT excluding valuation effects and extraordinary items	27,677	24,964	+10.9
Consolidated net income	25,048	22,931	+9.2
Earnings per share (in EUR), undiluted/diluted	0.88	0.80	+9.2
Balance sheet			
	30/06/2019	31/12/2018	
Total assets	1,293,704	1,234,908	+4.8
Investment properties	1,236,542	1,182,548	+4.6
Equity	555,284	527,593	+5.2
Equity ratio (in %)	42.9	42.7	+0.2 points
Net debt	636,350	610,098	+4.3
LTV (loan-to-value ratio, in %)	50.8	51.0	-0.2 points
NAV (net asset value), undiluted/diluted	586,900	559,949	+4.8
NAV per share (in EUR), undiluted/diluted	21.28	20.30	+4.8
Other key financials			
	H1 2019	H1 2018	
FFO (funds from operations)	24,081	21,791	+10.5
FFO per share (in EUR)	0.87	0.79	+10.5
	30/06/2019	31/12/2018	
Share price (XETRA closing price, in EUR)	25.40	21.20	+19.8
Number of shares	27,579,779	27,579,779	0
Market capitalisation	700,526	584,691	+19.8
ICR (interest coverage ratio: interest expense/net basic rents, in %)	19.7	21.1	-1.4 points
Average borrowing rate (in %)	2.15	2.33	-0.18 points
Real estate KPIs			
	30/06/2019	31/12/2018	
Annualised net basic rents	79,341	78,249	+1.4
Vacancy rate (in %)	0.7	0.7	0 points
Rentable space (in sqm)	1,138,150	1,123,271	+1.3
EPRA performance indicators			
	H1 2019	H1 2018	
EPRA earnings	22,238	20,075	+10.8
EPRA earnings per share (in EUR)	0.81	0.73	+10.8
	30/06/2019	31/12/2018	
EPRA NAV	586,900	559,949	+4.8
EPRA NAV per share (in EUR)	21.28	20.30	+4.8
EPRA vacancy rate (in %)	0.7	0.7	0 points

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PROPERTY PORTFOLIO

OVERVIEW

On the cut-off date of June 30, 2019, the property portfolio of the VIB Group comprised a total of 108 properties with a total rentable area of 1,138,150 sqm. The majority of the properties are located in southern Germany, where we have built up a far-reaching network over the past 25 years. Thanks to the in-house management of our properties, we maintain close contact with our tenants at all times, enabling us to respond rapidly to changes in market circumstances and tenant needs. As a consequence, the vacancy rate of our portfolio as a whole has been very low for several years and stood at 0.7% as of June 30, 2019 (31/12/2018: 0.7%).

In our view, the diversification of our portfolio plays a key role in terms of being well positioned in the market in the long term. We focus primarily on the logistics/light industry and retail sectors, which make up 66% (31/12/2018: 65%) and 28% (31/12/2018: 29%) respectively of our overall portfolio as of the balance sheet date of June 30. The remaining 6% of the portfolio relates to office space and other commercial properties (31/12/2018: 6%).

As of the cut-off date, the market value of our property portfolio stood at EUR 1,237 million (31/12/2018: EUR 1,183 million), whereas annualised net rents increased to EUR 79.3 million due to new properties and sites (31/12/2018: EUR 78.2 million).

PROPERTY PORTFOLIO IN KEY FIGURES

Number of properties	108 properties
Rentable space	1,138,150 sqm
Market value of portfolio	EUR 1,237 million
Annualised net basic rents	EUR 79.3 million
Vacancy rate	0.7%

Last updated: June 30, 2019

Alongside diversification, our property portfolio is characterised by the attractive average remaining term of our rental agreements. This currently stands at five years and three months, thus ensuring a high degree of predictability in relation to rental revenues. Generally speaking, however, even rental agreements with short remaining terms are not terminated by the tenant, but are either automatically renewed by the agreed term or mature into permanent rental agreements.

We also ensure that we have a diverse tenant structure in order to minimise any cluster or concentration risks. As such, no single tenant has a share of more than 10% of total rental income, with the largest ten VIB tenants accounting for approx. 44% of the portfolio as a whole. Furthermore, we always check the credit rating of a future tenant before entering into a rental agreement in order to minimise the risk of rent default.

2019 PORTFOLIO DEVELOPMENT

At the start of the year, VIB acquired a further Dehner garden centre, in Göppingen, for EUR 13.5 million. This retail property, with a useful area of 10,200 sqm, is currently undergoing modernisation work and is scheduled to be handed over to the tenant in the first quarter of 2020.

In May of this year, VIB acquired a logistics/light industry property in Ehningen (Stuttgart metropolitan region) for EUR 7.5 million. The property comprises a total rentable area of 9,100 sqm and is currently being renovated in accordance with the very latest technical standards. Completion is scheduled for the end of 2019. Alongside the renovation work, negotiations are underway with potential tenants.

The company completed a further acquisition in June of this year. This project relates to a multifunctional logistics property in the municipality of Seubtendorf in southern Thuringia. The investment volume came in at EUR 16.9 million, with the useful area measuring 19,500 sqm. The property was acquired via a sale-and-lease-back share deal with one of our largest existing tenants. As the site boasts a total area of approx. 74,000 sqm, we believe that it offers potential for subsequent redensification.

Construction of a 3,500 sqm office complex in Regensburg, which is being built as part of a redensification project on an existing site, is progressing according to plan. The property is already fully let and is scheduled to be handed over to the tenants during the fourth quarter of 2019.

Also progressing according to plan is the development of a logistics facility on the approx. 113,000 sqm site at Interpark near Ingolstadt. The first construction phase, which is fully let and which boasts a useful area of 27,500 sqm, will be completed initially. A long-term rental agreement has also been concluded for the remaining useful area of 87,000 sqm, which has been designed as a two-storey structure. Completion of the first construction phase is scheduled for the fourth quarter of 2019, with the remaining useful area set to be handed over to the tenant at the end of 2020.

As part of portfolio optimisation work, we sold a smaller logistics property in the second quarter. The property, which has a useful area of some 5,300 sqm, accounted for approx. 0.2% of consolidated net basic rents. The sale proceeds of EUR 2.0 million matches the carrying amount of the property.

We also have a burgeoning site pipeline for future projects. We currently possess sites in excellent locations with a potential useful area of 115,000 sqm. Alongside in-house developments, we continue to evaluate opportunities to expand our property portfolio by means of targeted acquisitions, such as the ones we recently completed in Ehningen and Seubtendorf.

As part of a sustainable and profitable growth strategy, VIB Vermögen AG and WDP (Warehouse de Pauw), a developer of logistics properties in Benelux, continue to review the potential for the joint development of logistics properties. The target region for investments comprises North Rhine-Westphalia, Bremen and Hamburg. Expanding the company's regional presence northwards beyond the current core region of southern Germany offers the potential of generating further growth whilst also offering our tenants greater regional coverage.

2019 ANNUAL GENERAL MEETING

At the 2019 Annual General Meeting, which was held on July 4, 2019, in Ingolstadt, VIB Vermögen AG summarised the course of business in the previous financial year and explained the continued strategy for the 2019 financial year. Furthermore, resolutions were passed to increase the number of members of the VIB Vermögen AG Supervisory Board to four and to appoint the former long-standing Chief Executive Officer of VIB, Mr Ludwig Schlosser, to the Supervisory Board following a cooling-off period of more than two years.

In addition, the conversion of bearer shares to registered shares was carried by a significant majority. With a view to more efficient investor relations work, this will facilitate direct communication with our shareholders.

We are particularly pleased that the shareholders present at this year's Annual General Meeting were able to approve the tenth dividend increase in a row. At EUR 0.65 per share, compared to EUR 0.60 per share in the previous year, this represented an increase of 8.3% and a total distribution of EUR 17.9 million for the 2018 financial year (previous year: EUR 16.6 million). The dividend was paid to shareholders on July 9, 2019. The shareholders also affirmed their trust in the Managing and Supervisory Boards with clear majorities.

For more information on the individual resolutions, as well as the general presentation documents for the Annual General Meeting, please visit the company website at www.vib-ag.de.

BUSINESS REPORT

COURSE OF BUSINESS

We are very satisfied with the course of business in the first half of 2019, with all indicators in line with the forecasts issued at the start of the year. Thanks to the additions to the property portfolio during the second half of 2018 and the first half of 2019, we were able to further increase both revenue and earnings as planned. All significant cost items have developed as expected. As the interest rate environment remains favourable, we were able to achieve a further moderate reduction in interest expenses. This resulted in sharp climbs in our earnings before tax (EBT) and our funds from operations (FFO).

As part of a transaction imposing a legal obligation arising from a conditional notarial purchase agreement in respect of the acquisition of plots of land – with a transfer of ownership, benefits and encumbrances – in 2020, the company has incurred financial purchase price payment obligations of up to approx. EUR 8.0 million.

No further events occurred after the end of the first half of 2019 that had a material impact on the earnings, assets and financial position.

EXPLANATORY NOTES ON THE EARNINGS, ASSETS AND FINANCIAL POSITION

EARNINGS POSITION

SELECTED INDICATORS OF EARNINGS POSITION

IN EUR THOUSAND	H1 2019	H1 2018	Change in %
Revenue	45,084	42,575	+5.9
Changes in value for investment properties	2,276	2,380	-4.4
EBT	29,953	27,344	+9.5
EBT excluding valuation effects and extraordinary items	27,677	24,964	+10.9
Consolidated net income	25,048	22,931	+9.2
Earnings per share (in EUR), undiluted/diluted	0.88	0.80	+9.2
FFO	24,081	21,791	+10.5
FFO per share (in EUR)	0.87	0.79	+10.5

Due to new additions to the property portfolio and rental indexing, revenue rose by 5.9% on the prior-year period to EUR 45,084 thousand (previous year: EUR 42,575 thousand).

Changes in value for investment properties were EUR 2,276 thousand (previous year: EUR 2,380 thousand) and resulted chiefly from in-house developments currently under construction. Due to the high degree of completion and pre-letting of these properties as of the balance sheet date of June 30, 2019, these properties were measured at fair value pursuant to IAS 40.53A.

Expenses for investment properties were up by 4.4% on the previous year at EUR –7,251 thousand (previous year: EUR –6,945 thousand), with operating costs coming in at EUR –6,005 thousand (previous year: EUR –5,801 thousand) and maintenance costs at EUR –1,246 thousand (previous year: EUR –1,144 thousand). Personnel expenses came in at EUR –1,942 thousand in the first six months (previous year: EUR –1,862 thousand), with other operating expenses declining by EUR 56 thousand to EUR –802 thousand (previous year: EUR –858 thousand).

Interest expenses declined by EUR 287 thousand, or 3.7%, year-on-year to EUR –7,573 thousand (previous year: EUR –7,860 thousand). Whilst net debt (bank liabilities less bank balances) increased due to the taking out of new loans associated with company growth, the average interest rate of loan liabilities fell once again. Earnings before tax (EBT) stood at EUR 29,953 thousand, compared with EUR 27,344 thousand in the previous year. EBT adjusted for valuation effects and extraordinary items rose year-on-year to EUR 27,677 thousand (previous year: EUR 24,964 thousand), which equates to a sharp increase of 10.9%, or EUR 2,713 thousand.

Income tax expenses stood at EUR –4,905 thousand (previous year: EUR –4,413 thousand), with current taxes coming in at EUR –2,849 thousand (previous year: EUR –2,450 thousand) and deferred taxes totalling EUR –2,056 thousand (previous year: EUR –1,963 thousand). Consolidated net income rose by 9.2% in the first half of 2019, climbing from EUR 22,931 thousand in the previous year to EUR 25,048 thousand. Both undiluted and diluted earnings per share stood at EUR 0.88 in the reporting period (previous year: EUR 0.80).

NET ASSETS

SELECTED INDICATORS OF NET ASSETS

IN EUR THOUSAND	30/06/2019	31/12/2018	Change in %
Total assets	1,293,704	1,234,908	+4.8
Investment properties	1,236,542	1,182,548	+4.6
Net debt (current and non-current financial liabilities less bank balances)	636,350	610,098	+4.3
Equity	555,284	527,593	+5.2
Equity ratio	42.9 %	42.7 %	+0.2 points

The total assets of the VIB Group rose sharply by EUR 58,796 thousand compared with December 31, 2018, to EUR 1,293,704 thousand (31/12/2018: EUR 1,234,908 thousand). Due to new investments in the property portfolio, investment properties climbed by EUR 53,994 thousand to EUR 1,236,542 thousand (31/12/2018: EUR 1,182,548 thousand). Bank balances and cash in hand came in at EUR 34,956 thousand as of the cut-off date (31/12/2018: EUR 31,015 thousand).

Due to the consolidated result generated, equity rose to EUR 555,284 thousand as of the balance sheet date of June 30, 2019 (31/12/2018: EUR 527,593 thousand), with the equity ratio increasing slightly to 42.9% (31/12/2018: 42.7%).

Non-current financial liabilities increased by EUR 39,878 thousand to EUR 647,727 thousand due to investment activities (31/12/2018: EUR 607,849 thousand), whereas current financial liabilities were down by EUR 9,685 thousand to EUR 23,579 thousand (31/12/2018: EUR 33,264 thousand). Net debt, i.e. the balance between current and non-current financial liabilities less bank balances, came to EUR 636,350 thousand as of June 30, 2019, and was therefore up by EUR 26,252 thousand on year end 2018 (31/12/2018: EUR 610,098 thousand).

By virtue of the positive course of business, the undiluted net asset value (NAV) of the company climbed to EUR 586,900 thousand as of June 30, 2019 (31/12/2018: EUR 559,949 thousand). Taking the 27,579,779 shares in circulation as of June 30, 2019, this corresponds to an undiluted NAV per share of EUR 21.28 as of the balance sheet cut-off date, compared to EUR 20.30 as of December 31, 2018 – an increase of 4.8%, or EUR 0.98 per share.

FINANCIAL POSITION

SELECTED INDICATORS OF FINANCIAL POSITION

IN EUR THOUSAND	H1 2019	H1 2018
Cash and cash equivalents at start of period	31,015	37,979
Cash flow from operating activities	33,698	26,955
Cash flow from investment activities	-53,492	-52,211
Cash flow from financing activities	23,735	16,773
Cash and cash equivalents at end of period	34,956	29,496

On account of the continued positive course of business, cash inflow from operating activities increased by EUR 6,743 thousand to EUR 33,698 thousand (previous year: EUR 26,955 thousand). Cash outflow from investment activities amounted to EUR 53,492 thousand (previous year: EUR 52,211 thousand), mainly due to higher investments in the property portfolio. Net cash inflow from financing activities stood at EUR 23,735 thousand (previous year: EUR 16,773 thousand). This figure includes a cash inflow of EUR 63,789 thousand (previous year: EUR 37,588 thousand) from the taking out of new loans as well as a cash outflow from the repayment of loans in the amount of EUR 33,596 thousand (previous year: EUR 12,959 thousand). The cash inflow from financing activities also includes an allocation to reserves in the amount of EUR 1,115 thousand (previous year: EUR 0 thousand) connected with the first-time consolidation of minority shareholders.

As of the balance sheet date of June 30, 2019, the VIB Group's cash and cash equivalents totalled EUR 34,956 thousand (30/06/2018: EUR 29,496 thousand).

FFO (funds from operations) as an indicator of the company's cash inflow from operating activities climbed to EUR 24,081 thousand in the first half of 2019 (previous year: EUR 21,791 thousand). FFO per share improved accordingly from EUR 0.79 to EUR 0.87.

EMPLOYEES

In addition to the two members of the Managing Board, the VIB Group employed a further 34 commercial members of staff (31/12/2018: 32) and 5 industrial members of staff (31/12/2018: 5) as of the balance sheet date of June 30, 2019. The industrial staff are primarily employed on a part-time basis to manage our properties. The resulting personnel expenses are passed on to our tenants via ancillary costs.

The Managing Board comprises Martin Pfandzelter (CEO) and Holger Pilgenröther (CFO).

OVERALL STATEMENT ON THE COMPANY'S BUSINESS POSITION

VIB Vermögen AG is highly satisfied with the development of the company's earnings, assets and financial position in the first half of 2019. Development in both revenue and adjusted earnings before tax (EBT) was in line with the forecast issued at the start of the year. Both the net asset value of the company (NAV) and the funds from operations (FFO) as an indicator of the company's cash inflow from operating activities increased further in the first half of 2019. Furthermore, the VIB Group possesses sufficient cash and cash equivalents to successfully develop the company further.

RISKS AND OPPORTUNITIES

The 2018 Annual Report contains detailed information on the basic risk management principles, as well as the significant opportunities and risks that could potentially affect the earnings, assets and financial position of the VIB Group. In the first six months of the current financial year, no further significant risks and opportunities were identified that, in our view, could jeopardise the ability of the company to continue as a going concern.

OUTLOOK

Despite the weaker economic growth currently being witnessed in Germany, the medium- to long-term macroeconomic and property sector-specific underlying conditions are still assessed as positive by leading economic research institutes. There is also no change in direction on the horizon when it comes to interest rates. The European Central Bank (ECB) currently anticipates that the base rate will remain at zero per cent until midway through the coming year. Therefore, we do not expect any significant changes to the financing conditions for property loans in the next twelve months.

We currently believe that all underlying conditions have been met for us to continue growing sustainably and profitably in our core business as a portfolio manager.

We therefore confirm the guidance published for the 2019 fiscal year in the 2018 Annual Report:

- › an increase in revenue to between EUR 88.5 million and EUR 92.5 million
- › an increase in earnings before tax (EBT), excluding valuation effects and extraordinary items, to between EUR 52.0 million and EUR 54.5 million
- › an increase in funds from operations (FFO) to between EUR 45.5 million and EUR 48.0 million

Furthermore, we anticipate

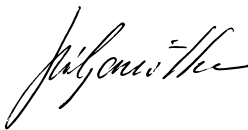
- › a low single-digit vacancy rate as of December 31, 2019, and
- › a further slight reduction in the average interest rate on the borrowing portfolio as of the end of 2019 (31/12/2018: 2.33%)

This guidance could be influenced by material changes to the underlying macroeconomic conditions, changes to the overall interest rate as well as unplanned acquisitions or disposals of properties.

Neuburg/Danube, August 6, 2019



Martin Pfandzelter
(Chief Executive Officer)



Holger Pilgenröther
(Member of the Managing Board)

CONSOLIDATED INCOME STATEMENT (IFRS)

FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2019

IN EUR THOUSAND	H1 2019	H1 2018
Revenue	45,084	42,575
Other operating income	267	153
Total operating income	45,351	42,728
Changes in value for investment properties	2,276	2,380
Expenses for investment properties	-7,251	-6,945
Personnel expenses	-1,942	-1,862
Other operating expenses	-802	-858
Earnings before interest, tax, depreciation and amortisation (EBITDA)	37,632	35,443
Depreciation and amortisation	-153	-154
Earnings before interest and tax (EBIT)	37,479	35,289
Profit/loss on equity-accounted investments	115	-6
Other interest and similar income	15	4
Interest and similar expenses	-7,573	-7,860
Expenses from guaranteed dividends	-83	-83
Earnings before tax (EBT)	29,953	27,344
Income tax	-4,905	-4,413
Consolidated net income	25,048	22,931
Group shareholders' share of earnings	24,182	22,078
Non-controlling shareholders' share of earnings	866	853
UNDILUTED EARNINGS PER ORDINARY SHARE (IN EUR)		
Profit/loss on continuing operations	0.88	0.80
Undiluted earnings per share	0.88	0.80
DILUTED EARNINGS PER ORDINARY SHARE (IN EUR)		
Profit/loss on continuing operations	0.88	0.80
Diluted earnings per share	0.88	0.80

CONSOLIDATED BALANCE SHEET (IFRS)

AS OF JUNE 30, 2019

ASSETS

IN EUR THOUSAND	30/06/2019	31/12/2018
Non-current assets		
Intangible assets	2	5
Property, plant and equipment	7,981	8,037
Investment properties	1,236,542	1,182,548
Interests in associated companies	8,771	6,238
Total non-current assets	1,253,296	1,196,828
Current assets		
Receivables and other assets	3,890	5,983
Bank balances and cash in hand	34,956	31,015
Prepayments and accrued income	1,562	1,082
Total current assets	40,408	38,080
Total assets	1,293,704	1,234,908

EQUITY AND LIABILITIES

IN EUR THOUSAND	30/06/2019	31/12/2018
Equity		
Subscribed share capital	27,580	27,580
Share premium account	191,218	191,218
Retained earnings	76,489	75,766
Cumulative earnings	236,862	212,680
Cash flow hedges	-1,616	-2,387
Foreign currency translation	-52	-64
Equity attributable to parent company shareholders	530,481	504,793
Non-controlling shareholders' share of earnings	24,803	22,800
Total equity	555,284	527,593
Non-current liabilities		
Financial liabilities	647,727	607,849
Derivative financial instruments	1,982	2,908
Deferred taxes	54,437	52,248
Pension provisions	2,474	2,363
Total non-current liabilities	706,620	665,368
Current liabilities		
Financial liabilities	23,579	33,264
Income tax liabilities	1,626	599
Liabilities to participating interests	830	827
Other liabilities	5,506	7,120
Accruals and deferred income	259	137
Total current liabilities	31,800	41,947
Total assets	1,293,704	1,234,908

FINANCIAL CALENDAR

September 3, 2019

SRC Forum Financials & Real Estate 2019, Frankfurt

September 17/18, 2019

Degroof Petercam Real Estate Seminar, Brussels

September 23, 2019

Berenberg and Goldman Sachs Eighth German Corporate Conference 2019, Munich

September 25, 2019

Baader Investment Conference, Munich

November 6, 2019

Publication of the 2019 Q3 interim report

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MASTHEAD

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