

DEVELOPING VALUES

Half-year Financial Report
2018



KEY GROUP INDICATORS

IN EUR THOUSAND	H1 2018	H1 2017	Change in %
Income statement			
Revenue	42,575	41,126	+3.5
Changes in value for investment properties	2,380	2,870	-17.1
EBT (earnings before tax)	27,344	25,912	+5.5
EBT excluding valuation effects and extraordinary items	24,964	23,042	+8.3
Consolidated net income	22,931	21,844	+5.0
Earnings per share (in EUR), undiluted/diluted	0.80	0.76	+5.0
Balance sheet			
	30/06/2018	31/12/2017	
Total assets	1,200,182	1,153,741	+4.0
Investment properties	1,150,618	1,096,724	+4.9
Equity	507,061	483,355	+4.9
Equity ratio (in %)	42.2	41.9	+0.3 pt.
Net debt	603,564	570,452	+5.8
LTV (loan-to-value ratio, in %)	51.8	51.4	+0.4 pt.
NAV (net asset value), undiluted/diluted	536,551	512,547	+4.7
NAV per share (in EUR), undiluted/diluted	19.45	18.58	+4.7
Other key financials			
	H1 2018	H1 2017	
FFO (funds from operations)	21,791	19,983	+9.1
FFO per share (in EUR)	0.79	0.72	+9.1
	30/06/2018	31/12/2017	
Share price (XETRA closing price, in EUR)	21.90	21.20	+3.3
Number of shares	27,579,779	27,579,779	0
Market capitalisation	603,997	584,691	+3.3
ICR (interest coverage ratio: interest expense/net basic rents, in %)	21.6	24.4	-2.8 pt.
Average borrowing rate (in %)	2.41	2.55	-0.14 pt.
Real estate KPIs			
	30/06/2018	31/12/2017	
Annualised net basic rents	74,383	73,615	+1.0
Vacancy rate (in %)	0.8	0.8	0 pt.
Rentable space (in sqm)	1,066,250	1,060,896	+0.5
EPRA performance indicators			
	H1 2018	H1 2017	
EPRA earnings	20,075	18,436	+8.9
EPRA earnings per share (in EUR)	0.73	0.67	+8.9
	30/06/2018	31/12/2017	
EPRA NAV	536,551	512,547	+4.7
EPRA NAV per share (in EUR)	19.45	18.58	+4.7
EPRA vacancy rate (in %)	0.8	0.8	0 pt.

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PROPERTY PORTFOLIO

OVERVIEW

As of the balance sheet date of June 30, 2018, our property portfolio comprised a total of 105 properties with a total rentable area of 1,066,250 sqm. The majority of the properties are located in southern Germany, where we have built up an extensive network over almost 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 0.8% as of June 30, 2018 (31/12/2017: 0.8%).

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 64% and 30% respectively of our overall portfolio (as of June 30, 2018). The remaining 6% of the portfolio relates to office space and other commercial properties.

As of June 30, 2018, the market value of our property portfolio stood at EUR 1,151 million (31/12/2017: EUR 1,097 million), whereas annualised net rents increased to EUR 74.4 million due to new properties and sites (31/12/2017: EUR 73.6 million).

PROPERTY PORTFOLIO INDICATORS

Number of properties	105 properties
Rentable space	1,066,250 sqm
Market value of portfolio	EUR 1,151 million
Annualised net basic rents	EUR 74.4 million
Vacancy rate	0.8%

Last updated: 30 June 2018

Alongside diversification, our property portfolio is characterised by an attractive average remaining term of our rental agreements. This currently stands at four years and ten months, thus ensuring a high degree of predictability in relation to rental revenues. Even rental agreements with short remaining terms are not usually 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. 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.

2018 PORTFOLIO DEVELOPMENT

At the start of the year, a newly constructed logistics facility in Nuremberg was handed over to its tenant as part of a redensification development. The property, which was built on an existing site, has a useful area of 8,500 sqm and was completed with an investment volume of EUR 6.5 million. The facility comes with a ten-year rental agreement and will make revenue contributions of EUR 540 thousand per annum in net rent.

Currently, three new developments, as well as a redensification development on an existing site, are under construction. After completion, these four in-house developments will boast a combined useful area of some 57,000 sqm, with the planned investment volume standing at approximately EUR 47.3 million.

Construction work on two of the three new developments – one at Interpark near Ingolstadt and one in Vaihingen an der Enz in the Stuttgart metropolitan region – began back at the end of last year. Both properties are nearing completion and will be handed over to their tenants in the next few weeks. The fully let properties, which come with long-term rental agreements, are being built for a total of approximately EUR 21 million and will generate annual net basic rents of EUR 1.6 million.

The third new development currently under construction is located in Schwarzenbruck, near Nuremberg. This logistics facility has a useful area of 30,000 sqm, a third of which has already been pre-let. Completion is scheduled for the fourth quarter of 2018, with the investment volume coming in at around EUR 20.5 million. With a calculated annual net basic rent of approximately EUR 1.8 million, this property – which will be one of the larger properties in the VIB portfolio – will contribute around 2% of consolidated revenue.

Following completion of a redensification logistics facility in Nuremberg at the start of the year, a further redensification development is under way in the Regensburg area. Here, two office complexes with a total useful area of 3,500 sqm are being built on an existing site. Construction costs amount to EUR 5.8 million, with completion scheduled for the fourth quarter of 2019. The net basic rent of the office complexes, which have already been fully let, will come in at EUR 435 thousand per annum.

There is also a burgeoning site pipeline for future projects. VIB currently holds sites with a potential useful area of some 170,000 sqm in the Bavarian metropolitan regions of Augsburg, Ingolstadt, Munich and Nuremberg. In addition to in-house developments, we also review the possibility of expanding our portfolio by means of targeted acquisitions on an ongoing basis in times of high property prices and strong competition.

2018 ANNUAL GENERAL MEETING



At the 2018 Annual General Meeting, which was held on June 28, 2018, in Ingolstadt, VIB Vermögen AG summarised the course of business in the previous financial year and explained the continued strategy for the 2018 financial year.

For the ninth time in a row, the shareholders present approved a dividend increase. At EUR 0.60 per share, compared to EUR 0.55 per share in the previous year, this represented an increase of 9.1% and a total distribution of EUR 16.6 million for the 2017 financial year (previous year: EUR 15.2 million). The dividend was paid to shareholders on July 4, 2018. The shareholders also affirmed their trust in the Managing and Supervisory Boards, with clear majorities of 99.9% and 99.2% respectively.

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 highly satisfied with the course of business in the first half of 2018. As planned, we were able to boost revenue further due to the completed development projects. The major cost items also developed as planned. By virtue of the ongoing favourable interest rate climate, we achieved a further reduction in our largest cost item, interest expenses on property loans. As anticipated, this resulted in sharp climbs in our earnings before tax (EBT) and our funds from operations (FFO).

EXPLANATORY NOTES ON THE EARNINGS, ASSETS AND FINANCIAL POSITION

EARNINGS POSITION

SELECTED INDICATORS OF EARNINGS POSITION

IN EUR THOUSAND	H1 2018	H1 2017	Change in %
Revenue	42,575	41,126	+3.5
EBT	27,344	25,912	+5.5
EBT excluding valuation effects and extraordinary items	24,964	23,042	+8.3
Consolidated net income	22,931	21,844	+5.0
Earnings per share (in EUR), undiluted/diluted	0.80	0.76	+5.0
FFO	21,791	19,983	+9.1
FFO per share (in EUR)	0.79	0.72	+9.1

Due to new additions to the property portfolio and rental indexing, revenue rose by 3.5% on the prior-year period to EUR 42,575 thousand (previous year: EUR 41,126 thousand).

There were positive value adjustments for investment properties of EUR 2,380 thousand in the reporting period (previous year: EUR 2,870 thousand); these are chiefly attributable to in-house developments under construction. Due to the high degree of completion and pre-letting of these properties as of the balance sheet date of June 30, 2018, these properties were measured at fair value pursuant to IAS 40.53A.

Expenses for investment properties were up by 9.9% on the previous year at EUR –6,945 thousand (previous year: EUR –6,317 thousand), with operating costs coming in at EUR –5,801 thousand (previous year: EUR –5,555 thousand) and maintenance costs at EUR –1,144 thousand (previous year: EUR –763 thousand). Personnel expenses came in at EUR –1,862 thousand in the first six months (previous year: EUR –1,803 thousand), with other operating expenses declining by EUR 78 thousand to EUR –858 thousand (previous year: EUR –936 thousand).

Due to the further drop in the average interest rate for property loans, interest expenses fell considerably by EUR 1,167 thousand to EUR –7,860 thousand in the first half of the year (previous year: EUR –9,027 thousand). Earnings before tax (EBT) stood at EUR 27,344 thousand, compared with EUR 25,912 thousand in the previous year. EBT adjusted for valuation effects and extraordinary items rose year-on-year to EUR 24,964 thousand (previous year: EUR 23,042 thousand), which equates to a sharp increase of 8.3%.

Income tax expenses stood at EUR –4,413 thousand (previous year: EUR –4,068 thousand), with current taxes coming in at EUR –2,450 thousand (previous year: EUR –2,121 thousand) and deferred taxes totalling EUR –1,963 thousand (previous year: EUR –1,947 thousand). Consolidated net income rose by 5.0% in the first half of 2018, climbing from EUR 21,844 thousand in the previous year to EUR 22,931 thousand. Both undiluted and diluted earnings per share stood at EUR 0.80 in the reporting period (previous year: EUR 0.76).

NET ASSETS

SELECTED INDICATORS OF NET ASSETS

IN EUR THOUSAND	30/06/2018	31/12/2017	Change in %
Total assets	1,200,182	1,153,741	+4.0
Investment properties	1,150,618	1,096,724	+4.9
Net debt (current and non-current financial liabilities less bank balances)	603,564	570,452	+5.8
Equity	507,061	483,355	+4.9
Equity ratio	42.2%	41.9%	+0.3 pt.

The total assets of the VIB Group rose by EUR 46,441 thousand compared with December 31, 2017, to EUR 1,200,182 thousand (31/12/2017: EUR 1,153,741 thousand). Due to new investments in the property portfolio, investment properties climbed by EUR 53,894 thousand to EUR 1,150,618 thousand (31/12/2017: EUR 1,096,724 thousand). Bank balances and cash in hand came in at EUR 29,496 thousand as of the cut-off date (31/12/2017: EUR 37,979 thousand).

Due to the consolidated result generated, equity rose to EUR 507,061 thousand as of the balance sheet date of June 30, 2018 (31/12/2017: EUR 483,355 thousand), with the equity ratio coming in at 42.2% (31/12/2017: 41.9%).

Non-current financial liabilities increased by EUR 12,552 thousand to EUR 599,848 thousand (31/12/2017: EUR 587,296 thousand), whereas current financial liabilities were up by EUR 12,077 thousand to EUR 33,212 thousand (31/12/2017: EUR 21,135 thousand). Net debt, i.e. the balance between current and non-current financial liabilities less bank balances, came to EUR 603,564 thousand as of June 30, 2018, and was therefore up by EUR 33,112 thousand on year end 2017 (31/12/2017: EUR 570,452 thousand).

By virtue of the positive course of business, the undiluted net asset value (NAV) of the company climbed to EUR 536,551 thousand as of June 30, 2018 (31/12/2017: EUR 512,547 thousand). Taking the 27,579,779 shares in circulation as of June 30, 2018, this corresponds to an undiluted NAV per share of EUR 19.45 as of the balance sheet cut-off date, compared to EUR 18.58 as of December 31, 2017 – an increase of 4.7%, or EUR 0.87 per share.

FINANCIAL POSITION

SELECTED INDICATORS OF FINANCIAL POSITION

IN EUR THOUSAND	H1 2018	H1 2017	Change
Cash and cash equivalents at start of period	39,979	39,117	+862
Cash flow from operating activities	26,955	25,315	+1,640
Cash flow from investment activities	-52,211	-10,467	-41,744
Cash flow from financing activities	16,773	-18,242	+35,015
Cash and cash equivalents at end of period	29,496	35,723	-6,227

Cash inflow from operating activities increased by EUR 1,640 thousand to EUR 26,955 thousand in the first half of the year on account of the positive course of business (previous year: EUR 25,315 thousand). Cash outflow from investment activities rose sharply by EUR 41,744 thousand to EUR 52,211 thousand in the first half of 2018, mainly due to investments in the property portfolio (previous year: EUR 10,467 thousand). Cash inflow from financing activities stood at EUR 16,773 thousand (previous year: cash outflow of EUR 18,242 thousand) and is primarily attributable to higher payouts year-on-year for property loans newly taken out as part of investment activities. As of the balance sheet date of June 30, 2018, the VIB Group's cash and cash equivalents totalled EUR 29,496 thousand (30/06/2017: EUR 35,723 thousand).

FFO (funds from operations) as an indicator of the company's cash inflow from operating activities climbed to EUR 21,791 thousand in the first half of 2018 (previous year: EUR 19,983 thousand). FFO per share improved accordingly from EUR 0.72 to EUR 0.79.

EMPLOYEES

In addition to the two members of the Managing Board, the VIB Group employed a further 34 commercial members of staff (31/12/2017: 33) and 5 industrial members of staff (31/12/2017: 5) as of the balance sheet date of June 30, 2018. 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

The Managing Board of VIB Vermögen AG is highly satisfied with the development of the company's earnings, assets and financial position in the first half of 2018. Development in both revenue and adjusted earnings before tax was in line with the guidance 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 2018. Furthermore, VIB Vermögen AG possesses sufficient cash and cash equivalents to successfully develop the company further.

RISKS AND OPPORTUNITIES

The 2017 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 beyond the opportunities and risks outlined in the 2017 Annual Report. There are currently no identifiable risks that could jeopardise the company's ability to operate as a going concern.

OUTLOOK

In light of the ongoing satisfactory nature of the macroeconomic and property sector-specific underlying conditions, as well as the continuing favourable interest rate climate, we also anticipate a positive course of business at VIB in the second half of 2018.

We therefore confirm the guidance published in the 2017 Annual Report:

- › an increase in revenue to between EUR 85.0 million and EUR 89.0 million
- › an increase in earnings before tax (EBT), excluding valuation effects and extraordinary items, to between EUR 48.0 million and EUR 50.5 million
- › funds from operations (FFO) of between EUR 42.0 million and EUR 44.5 million

Furthermore, we anticipate:

- › a low single-digit vacancy rate based on effective annual net rents as of December 31, 2018
- › a moderate year-on-year reduction in the average interest rate on the borrowing portfolio as of the end of 2018

These 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 7, 2018



Martin Pfandzelter
(Chief Executive Officer)



Holger Pilgenröther
(Chief Financial Officer)

CONSOLIDATED INCOME STATEMENT (IFRS)

FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2018

IN EUR THOUSAND	H1 2018	H1 2017
Revenue	42,575	41,126
Other operating revenue	153	120
Total operating revenue	42,728	41,246
Changes in value for investment properties	2,380	2,870
Expenses for investment properties	-6,945	-6,317
Personnel expenses	-1,862	-1,803
Other operating expenses	-858	-936
Earnings before interest, tax, depreciation and amortisation (EBITDA)	35,443	35,060
Depreciation and amortisation	-154	-108
Earnings before interest and tax (EBIT)	35,289	34,952
Profit/loss on equity-accounted investments	-6	52
Other interest and similar income	4	18
Interest and similar expenses	-7,860	-9,027
Expenses from guaranteed dividends	-83	-83
Earnings before tax (EBT)	27,344	25,912
Income tax	-4,413	-4,068
Consolidated net income	22,931	21,844
Group shareholders' share of earnings	22,078	20,852
Non-controlling shareholders' share of earnings	853	992
UNDILUTED EARNINGS PER ORDINARY SHARE (IN EUR)		
Profit/loss on continuing operations	0.80	0.76
Undiluted earnings per share	0.80	0.76
DILUTED EARNINGS PER ORDINARY SHARE (IN EUR)		
Profit/loss on continuing operations	0.80	0.76
Diluted earnings per share	0.80	0.76

CONSOLIDATED BALANCE SHEET (IFRS)

AS OF JUNE 30, 2018

ASSETS

IN EUR THOUSAND	30/06/2018	31/12/2017
Non-current assets		
Intangible assets	8	14
Property, plant and equipment	8,220	8,284
Investment properties	1,150,618	1,096,724
Interests in associated companies	5,870	5,276
Total non-current assets	1,164,716	1,110,298
Current assets		
Receivables and other assets	4,431	4,138
Bank balances and cash in hand	29,496	37,979
Prepayments and accrued income	1,539	1,326
Total current asset	35,466	43,443
Total assets	1,200,182	1,153,741

EQUITY AND LIABILITIES

IN EUR THOUSAND	30/06/2018	31/12/2017
Equity		
Subscribed share capital	27,580	27,580
Share premium account	191,218	191,218
Retained earnings	66,071	66,071
Net retained profits	203,287	181,208
	488,156	466,077
Cash flow hedges	-3,216	-3,985
Foreign currency translation	-74	-58
Non-controlling shareholders' share of earnings	22,195	21,321
Total equity	507,061	483,355
Non-current liabilities		
Financial liabilities	599,848	587,296
Derivative financial instruments	3,906	4,831
Deferred taxes	47,779	45,682
Pension provisions	2,397	2,288
Total non-current liabilities	653,930	640,097
Current liabilities		
Financial liabilities	33,212	21,135
Income tax liabilities	742	784
Liabilities to participating interests	830	827
Other liabilities	4,095	7,352
Accruals and deferred income	312	191
Total current liabilities	39,191	30,289
Total assets	1,200,182	1,153,741

FINANCIAL CALENDAR

September 6, 2018

SRC Forum, Frankfurt

September 24/25, 2018

Degroof/Petercam Real Estate Seminar, Brussels

September 24, 2018

Berenberg/Goldman Sachs Conference, Munich

September 27, 2018

Baader Investment Conference, Munich

November 7, 2018

Publication of the 2018 Q3 interim report

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