

Trading update Q3 2018 Wereldhave

19 October 2018



- Executing on the strategic agenda by disposal of Itis in Finland
- Occupancy increases in all countries to 96.2% overall
- Footfall increases 2.1% above market average
- Outlook 2018: direct result FY 2018 at € 3.30 - € 3.35 per share
- Dividend level 2018/2019 at € 2.52, despite disposal of Finland

Our markets

The physical retail market is reinventing itself and its role towards consumers, by trying to create the right balance between on- and offline value propositions. In the Netherlands the market has yet to catch up with the overall strong economic sentiment. Conditions are still tough for some retailers, as their store turnover is under pressure. In line with the global trend, the fashion sector remains struggling and continues to rationalise its store base. On a positive note, our portfolio saw no major bankruptcies in the third quarter. Leasing activity remained high over the course of the summer, with demand from various sectors. Most of our Dutch centres continue to do well, with leases in line with market levels; the few weaker centres underperformed. International retailers are entering the Dutch market, such as Uniqlo, Dunkin' Donuts and Baskin Robbins.

In Belgium, Wereldhave's centres provide an attractive market place against affordable rents. Customers enjoy visiting our shopping centres; the footfall patterns are stable. Affordability of rents for physical stores is becoming an important topic on the leasing market. We have been able to raise occupancy during the third quarter, but notice that rental pressure is increasing, particularly in the fashion segment. There are hardly any new retailers entering the market. Existing formulas are renewing their concepts. The first new-style Delhaize in Belgium opened in Nivelles, one of their best stores in Wallonia. Decathlon have also opened a 1,600 m² new store in Nivelles. Both openings positively impacted footfall in the centre. We see a strong performance of our

food & beverage operators, which leads to increasing demand. This could compensate for rental pressure in other sectors.

In France, the retail leasing market remains challenging. Particularly in the fashion segment sales are declining. Wereldhave's French portfolio is relatively strongly exposed to fashion. Other segments on average have seen a slight increase in sales, with housing equipment, sports and food & beverage doing particularly well. New concepts that were introduced in our centres, such as Primark, Action, Courier and Sostrene Grene, are performing strongly. Footfall has been low during the summer. This can be attributed to the warm weather and the French success in the World Cup Football. There were two major bankruptcies in the toys segment this year. We expect that consolidation in this segment will lead to further rationalisation of floor space. Demand from discount formulas and large home equipment formats is on the rise. We also see an increasing demand from less traditional shopping centre occupiers, such as healthcare and medical, co-working spaces and services.

Itis is performing strong against the backdrop of a cautiously optimistic economic climate in Finland. Sales are picking up again, but the sales in the fashion segment remain somewhat disappointing. The recent opening of the REDI shopping centre, which is situated between Itis and the city centre of Helsinki, so far had a limited impact on footfall, although it is too early to draw conclusions. Only one tenant has left Itis for REDI. The interest for Itis from food & beverage operators is still increasing, now that the Finnkino and the first IMAX in Finland is about to open its doors on November 30, 2018.



Operations

Gross rental income for the first three quarters of 2018 amounted to € 167.4m, which is 1% below 2017. The decrease is mainly due to lower rental income in France, primarily the result of the sales based rents that were concluded in 2017 to secure anchor tenants. The impact on gross rental income from disposals in 2017 was mitigated by rental income growth in the Netherlands and Belgium. In the Netherlands, the extension of Maassluis was taken into operation; in Belgium the shopping centre Les Bastions.

Occupancy of the shopping centre portfolio improved by 0.1% during the third quarter, to reach 96.2% at September 30, 2018. This is 0.7% above the year-end 2017 level. Occupancy rose in all four countries, with a 20 bps increase in the Netherlands and 10 bps in the other countries. Leasing activity was again high with 86 leases signed. On average, overall footfall increased by 0.7% to 111.1m visitors in the first three quarters. This was 2.1% above the market average.

In Belgium, occupancy of the shopping centre portfolio went up by 10 bps to 96.8%. Carrefour's early public announcement of its intention to close the hypermarkets in Liege and Genk had a negative impact on footfall. Overall, footfall decreased by 2.3% compared to the previous year. In spite of this, tenant sales increased by 1.2%. These numbers do not yet include the Les Bastions shopping centre in Tournai, where footfall increased by 73% since the opening of the extension in April 2018. This resulted in an overall increase in footfall of 6.3%.

Wereldhave Belgium and Carrefour have reached agreement about the hypermarket in Liege. Carrefour will open a new concept "Carrefour market" of 4,500 m² and has committed an 18-year commercial lease, above the previous rent level per m². Wereldhave Belgium will partially use the indemnity to divide the freed up space of 5,500 m² in medium sized units. This will improve the lay-out and the attractiveness of the centre. Talks with prospective tenants have already commenced.

During the third quarter, 12 leases were signed or renewed, with rents above ERV. In Nivelles, Delhaize opened its first new concept store in Belgium. Important other new store openings during the third quarter were Decathlon in Nivelles, Eyes + more in Ring Shopping Kortrijk, Rituals in Liege and Avance kids in Genk Shopping 1.

In France, occupancy increased by 10 bps to 93.7% during the third quarter, with 13 leases signed. The most noteworthy deals during the third quarter are Superdry in Côté Seine, a dentist centre in Mériadeck and in Rivetoile, Club Sandwich in Docks Vauban and the Kase in Docks76. In Rouen, new leases were signed for the Verrerie project, a.o. with Micromania (video games), Biotech (fitness nutrition) and Cahem Rouen (virtual reality). After four consecutive quarters of increasing occupancy, the ongoing restructuring in the toys segment will negatively impact occupancy this year.

Footfall in the French shopping centres decreased by 0.8% during the third quarter. Over the first three quarters, there was a 1.9% decrease for the French CNCC index; Docks Vauban performed really well with a 23% increase.



In the Netherlands, occupancy improved by 0.2% to 97.0%. There were no major bankruptcies during the third quarter. Leasing activity was again high, with 3.5% of the Dutch rent roll renewed or extended during the third quarter. New leases were on average signed 0.9% above ERV. Particularly in Capelle aan den IJssel, good leasing progress was made. 14 new leases were signed, a.o. with Big Bazar, Nelson, Vodafone, La Place and NY Pizza. In Kronenburg, Arnhem, Action took up the former Kijkshop unit, which became vacant earlier this year.

Footfall in the Dutch centres increased by 0.9%, against a -0.2% market average. The shopping centres CityPlaza in Nieuwegein, Koningshoek in Maassluis, Pieter Vreedeplein in Tilburg and Presikhaaf in Arnhem recorded the highest visitor growth. This clearly underpins the success of the redevelopment scheme for the Dutch portfolio. The gap with the three centres at the lower end of the portfolio is widening.

In Finland, occupancy improved to 96.5% and given the lively interest from food & beverage operators, the leasing pipeline offers perspective for further improvement of the occupancy rate. Footfall in Itis remained more or less stable. Although preliminary, during the first ten days after the opening of the new REDI centre footfall only slightly decreased, but tenants are not reporting any impact on sales. During the third quarter, 11 leases were agreed, above ERV. Most renewals chose for a long-term renewal instead of opting for a flexible lease term. Important signings during the third quarter were Recci, Nordea and Hanko Sushi.

Occupancy

	EPRA					
	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Δ Q3
Belgium	96.1%	94.9%	95.2%	96.7%	96.8%	+0.1%
Finland	96.6%	96.7%	96.0%	96.4%	96.5%	+0.1%
France	91.9%	93.2%	93.4%	93.6%	93.7%	+0.1%
Netherlands	96.1%	96.5%	96.5%	96.8%	97.0%	+0.2%
Shopping centres	95.3%	95.5%	95.5%	96.1%	96.2%	+0.1%
Offices (Belgium)	91.9%	91.7%	90.3%	90.6%	90.6%	-
Total portfolio	95.1%	95.3%	95.3%	95.8%	95.9%	+0.1%

Portfolio

There were no changes in the composition of the portfolio during the third quarter.

Yesterday, Wereldhave announced that it has reached agreement to sell the Itis shopping centre in Helsinki to a fund advised by Morgan Stanley Real Estate Investing (MSREI). The net price for the shopping centre including the deferred tax liability amounts to € 450m. This reflects a gross price of € 516 million, which is 8.5% below the book value at 30 June 2018. The transaction is scheduled for December 2018, subject to completion of the Finnkino development project.

On 18 October 2018, Wereldhave Belgium reached agreement with Redevco on the acquisition of two retail parks, one in Bruges and the other in Turnhout, for a total market value of € 73m. One of the two



retail parks will be contributed in kind by Redevco, who will take up just below 5% of new shares in Wereldhave Belgium at NAV. This will dilute Wereldhave's stake in Wereldhave Belgium from 69.33% to approx. 66%, whilst maintaining the LTV both at Group level and in Belgium close to its current levels.

The transaction is not only EPS accretive but also important for Wereldhave Belgium's fiscal status. It will bring the relative weight of the Belle-Ile shopping centre below the 20% mark, in line with the Royal Decree for Belgian REITs. Until now, Wereldhave Belgium has a waiver for the restriction that no single asset should be above 20% of the total portfolio.

Development pipeline

The committed development portfolio consists of four projects, one in Finland, one in France and two in the Netherlands.

In France, the redevelopment of the Verrerie project in the Saint Sever shopping centre is progressing well. It will add an extensive food court in front of the Kinepolis cinema. Pre-leasing is making good progress, with the preletting currently at 95%. Completion of the € 26m investment project is scheduled for 2019.

In Finland, the creation of a 9-screen Finnkino with Finland's first IMAX theatre in the heart of the Itis shopping centre is nearing completion. The Grand opening is scheduled for November 30, 2018, together with nine new food & beverage units immediately adjacent to the Finnkino.

In the Netherlands, the redevelopment of Presikhaaf shopping centre is also reaching its final stages. The new Coop supermarket opened on October 9, 2018, ahead of schedule. The entire refurbishment of the centre is scheduled for completion in early 2019.

In Capelle aan den IJssel, the parking garage for 280 cars and the new food court were completed during the third quarter. The next part of phase two is the creation of a passage to improve the connection between both parts of the centre. This part of the project is scheduled for completion in the beginning of 2019.

In view of the retail environment, new developments will be limited in size and subject to upfront anchor tenant commitment.



Financing

Nominal interest bearing debt was € 1,657m at September 30, 2018, which together with a cash balance of € 16m results in a net debt of € 1,641m. Undrawn borrowing capacity amounted to € 458m, including a new additional and yet undrawn € 350m Revolving Credit Facility that was closed in July 2018. As at September 30, the Loan-to-value ratio amounted to 42.6% (June 30, 2018: 42.2%). The average cost of debt and ICR were 1.86% and 6.2x respectively and the EPRA NAV per share stood at € 49.08 (H1 2018: € 48.94). Once the disposal of Finland is completed, the LTV is expected to drop by 6%. The transaction is scheduled for completion in December 2018.

Changes to the FBI regime

The Dutch government announced on October 15, 2018 that it has decided to withdraw its plans to abolish the Dutch withholding tax. It was further announced that the Dutch tax transparent REIT regime for FBI's will remain unchanged.

Outlook

As a result of the disposal of the Itis shopping centre in Helsinki and the associated loss of rental income in December, Wereldhave expects the direct result for 2018 to be between € 3.30 and € 3.35 per share (previously € 3.33 and € 3.38).

The dividend can and will be maintained at the current level of € 2.52 for 2018 and 2019.



About Wereldhave

Wereldhave invests in dominant convenience shopping centres in larger provincial cities in northwest continental Europe. The area surrounding our centres will include at least 100,000 inhabitants within 10 minutes' travel time from the centre.

We focus on shopping centres that strike a balance between convenience and shopping experience. With easy accessibility, products that cover all the daily shopping needs, a successful mix of international and local retail products and strong food anchor stores, our centres provide convenience shopping to accommodate a busy urban lifestyle as well as an ageing population.

We aim for an experience that goes beyond shopping, with restaurants, kids' playgrounds and high quality amenities in order to attract families - and keep them with us for longer visits.

For more information: www.wereldhave.com

Feedback

We welcome any feedback from our stakeholders. Please contact us for feedback or any questions you might have at:

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