



Wereldhave

Press release Wereldhave

**New strategy
Results 2019**

7 February 2020

make every day count

At Wereldhave, we believe that everyone deserves to have a comfortable, well-balanced everyday life.

No ifs. No buts. End of story.

And we play our part by creating best-in-class Full Service Centers. Centers for a better everyday life. How do we do this? By creating a new category in retail real estate; one that helps customers run their daily lives more easily and makes everyday life comfortable and joyful. With our LifeCentral transformation program, we focus on creating the right balance on the four customer need areas that make every day count.

First transformation strategy in European Retail Real Estate

LifeCentral program: Asset-by-asset transformation towards portfolio of Full Service Centers with mix of 'life central' experiences as base for sustainable growth

Focus on Benelux, and phase out France, proceeds to be invested in transformation

Total investments in LifeCentral: **300-350 million euro**

Total targeted divestments: book value of **1,075 million euro**

Wereldhave to adopt a total property return investment approach

New target LTV of **30-40%**, without an equity / rights issue

Schiphol, 7 February 2020 – **Following a thorough assessment of its current portfolio versus fundamental market and consumer trends and insights, Wereldhave has decided to initiate a major transformation of its portfolio. The company will move from a pure retail focus to a ‘life central’ focus for its assets, whereby shopping centers will be converted into ‘Full Service Centers’. These offer consumers a balanced mix of retail, high-quality food & beverage, entertainment, fitness, wellness, healthcare, co-working space offices, residential use and services. It will enable consumers to get more out of life, tenants to get more out of their business and shareholders to get more out of their investment. It caters to the increased importance of sustainability and the rise of ‘shopping as a social experience’ and the longing for more balance in the hectic everyday life. This new strategy comes at a time when Wereldhave’s direct and indirect results continue to decline, and market developments cause a significant devaluation of our assets.**

Wereldhave’s LifeCentral program is part of a larger strategy that consist of three pillars:

- **Actively transform shopping centers to Full Service Centers**
 - Right-size the assets to new reality
 - Restore the retail balance
 - Add new functions & uses
 - Transform on average 25% of retail space
- **Strengthen the balance sheet**
 - Phase out France (duly inform and consult French works council)
 - Divest selective assets with below threshold IRRs and/or that cannot be transformed into Full Service Centers.
- **Build on strong team and presence in Benelux**
 - Become market leader in Full Service Centers in the Benelux
 - Broaden customer experience and digital capabilities

Wereldhave is moving its focus from short-term to long-term to facilitate the transformation to Full Service Centers. The transformation requires repositioning of several assets which incurs capex and other expenses that occur in the short-term, whereas the pay-off in terms of rental and capital value growth will come once transformations are completed. We have therefore adopted a total return strategy. LifeCentral transformations have been put into a disciplined forward-looking capital allocation framework, based on a total property return for shareholders in the long-term as the key metric for all our investment decisions. Capital allocation will now be entirely driven by our IRR framework. We apply a hurdle rate of an unlevered IRR of 6% and our action plan includes clear quantified financial targets, offering transparency to our investors what to expect and to judge our rate of success.

LifeCentral; transforming shopping centers and offering tenant and consumer services

With LifeCentral Wereldhave is entering a new phase. The strategy involves converting assets to ‘Full Service Centers’ – these Full Service Centers go beyond traditional shopping centers with a mix of retail, high-quality food & beverage, entertainment, fitness, wellness, healthcare, co-working space offices, residential use and services. Full Service Centers facilitate consumer daily needs under one roof.

Wereldhave identified four customer need areas:

- Fixing the basics (shopping, groceries)
- Self expression (looking good and making the right impression – fashion, cosmetics)
- Enjoying life (spending time with friends and loved ones – leisure, entertainment, food & beverage)
- Well-being (taking care of personal health and development – healthcare, well-being, fitness)

With Full Service Centers, we give consumers more alibis to visit our centers. Retail will still play an important role – but will, in most cases, occupy – proportionally – less floorspace in the centers than in the past. We acknowledge that some of our assets can be classified as “oversized convenience”, hence right-sizing the asset is crucial. We are on average transforming 25% of traditional retail space into new uses.

To implement this strategy, a selection of the right assets needs to take place. Broadly, these assets will be close to areas of population density, well connected to public transport, with free parking, and support from local government. Given the increasing importance of sustainability, the company will also focus on assets that can be ‘Paris-proofed’ – i.e. brought into line, in terms of environmental performance, with the maximum +2°C warming scenario agreed in 2015 as part of the Paris Climate Agreement. Wereldhave will invest in its chosen assets. The company estimates total investment between EUR 300 million and EUR 350 million.

Over time, Wereldhave aims to lower its loan-to-value ratio to within a range of 30%-40%. Capex needed for the transformation will be financed by divesting selective assets with below threshold IRRs and/or that cannot be transformed into Full Service Centers. We explicitly state that no equity or rights issue is needed.

We hit the ground running

- We have sold a first asset in the Netherlands for € 25.7m (around book value and post reporting date), negotiations for disposals of more than € 100m are in various stages of progress.
- We agreed on a partnership with Amvest (a renowned Dutch housing developer and investor) to unlock the residential value in our portfolio by densification; and
- The transformation of the centers Belle-Ile in Liege and Vier Meren in Hoofddorp (Greater Amsterdam) has kicked-off.
- Customer Experience and Digital Transformation teams are already operational.

Matthijs Storm, CEO of Wereldhave comments: “Given the developments over the past years it is clear that we need to develop and express new ambitions for Wereldhave. Over the past months we have put a lot of time and efforts in analyzing our own portfolio in relation to key market developments and trends. With our LifeCentral transformation program, we are convinced to have a strategic direction that sets us up for success. With it, we fundamentally change the traditional real estate approach into one where not the bricks, but today’s and future consumer needs are at the heart of what we do.

The major difference is that retail has experienced 20 years of Golden Age (rental growth, yield compression). This time is over and the industry needs to adapt, transform itself and its products. The industry needs to be prepared for more active management, more capex and ultimately winners and losers. Being on the front-foot in retail transformations is a significant advantage to us.

We want to become the market leader in Full Service Centers in the Benelux, broaden the customer experience and improve our digital capabilities. Through our LifeCentral program, we will actively transform our assets, rightsizing them to the new reality, restoring the retail balance and add new functions and uses. We will strengthen our balance sheet by divesting selective assets and plan to phase out our presence in France.

I believe we are well positioned to transform our assets to Full Service Centers. The assets are in densely populated and well connected locations, the size of our portfolio and current retail rent levels allow for the conversion towards mixed-use and we have capable teams in place, underpinned by strong operational results in 2019. Capital allocation will be based on the total property return, with a disciplined data driven, fact based approach. Assets with below threshold IRRs will be sold.

The transformation of our portfolio will be executed simultaneously with our disposal program. This will lower our debt and strengthen our balance sheet, but we expect our earnings per share will decrease over the next three years. We are confident that after the disposals have been executed, we will be able to create rental growth, value growth and dividend growth.”

Results 2019



Facts & figures

Total result 2019:

- €318.9 m

(2018: -€55.6m)

Direct result 2019:

€128.6 m

(2018: €146.7m)

Indirect result 2019:

- €447.5 m

(2018: -€202.3m)



EPRA EPS 2019:

€2.81

Outlook EPRA EPS 2020:

€2.35 to €2.45



Dividend pay-out ratio unchanged between

75% & 85%

of EPRA EPS



Dividend for 2020:

€1.76

(three interim payments of €0.44 and an expected final distribution of €0.44 per share)



Summary

Key metrics

	2019	2018	Change
Key financial metrics (x € 1,000)			
Gross rental income ¹⁾	206,589	201,769	2.4%
Net rental income ¹⁾	171,474	166,354	3.1%
Direct result ¹⁾	128,592	118,039	8.9%
Indirect result ¹⁾	-448,050	-101,594	341.0%
Total result ¹⁾	-319,457	16,444	-2042.7%
Investment property	2,906,686	3,280,207	-11.4%
Assets held for sale	9,880	6,940	42.4%
Net debt	1,314,824	1,232,394	6.7%
Equity attributable to shareholders	1,319,598	1,744,489	-24.4%
Per share items (€)			
Direct result ¹⁾	2.81	2.62	7.3%
Indirect result ¹⁾	-10.99	-2.52	336.1%
Total result ¹⁾	-8.18	0.10	-8280.0%
Total return based on EPRA NAV	-8.31	-3.66	127.0%
IFRS NAV	32.78	43.35	-24.4%
Dividend	2.52	2.52	0.0%
EPRA performance metrics (€)			
EPRA EPS ¹⁾	2.81	2.62	7.3%
EPRA NAV	32.99	43.82	-24.7%
EPRA NNNNAV	31.81	42.41	-25.0%
EPRA Vacancy rate	5.4%	3.9%	1.5 pp
EPRA Cost ratio	25.2%	22.8%	2.4 pp
EPRA Net Initial Yield	5.8%	5.4%	0.4 pp
Other ratios			
Net LTV	44.8%	37.5%	7.3 pp
ICR	6.6x	6.2x	0.4x
Number of ordinary shares in issue	40,270,921	40,270,921	0.0%
Number of ordinary shares for NAV	40,255,423	40,242,994	0.0%
Weighted avg. number of ordinary shares outstanding	40,251,654	40,243,857	0.0%
Shopping Centers portfolio metrics			
Number of assets	31	31	0.0%
Surface owned (x 1,000) ²⁾	851	848	0.4%
LFL NRI growth	-0.6%	0.1%	-0.7 pp
Occupancy rate	94.8%	96.3%	-1.5 pp
Theoretical rent per sqm	227	234	-3.0%
ERV per sqm	215	232	-7.3%
Footfall growth	1.1%	1.4%	-0.3 pp
LFL tenant sales	1.2%	-2.1%	3.3 pp
Occupancy cost ratio	11.6%	12.2%	-0.6 pp
Proportion of mixed-use (in m ²)	15.7%	15.1%	0.6 pp
Customer satisfaction (NPS)	-7	n.a.	

¹⁾ Continuing operations

²⁾ 2019: excluding Emmapassage Tilburg

CEO comments

“Shareholders cannot be satisfied with the returns Wereldhave delivered over the past few years. Although we posted strong operational results, the indirect result for 2019 is heavily affected by negative property revaluations, particularly in the Netherlands and France. These revaluations reflect the market reality of a harsh retail landscape.

I am proud of our local teams, who managed to produce a relatively strong result, in challenging operational markets. Despite several bankruptcies, the Dutch team managed to keep occupancy high. Adjusted for Hudson's Bay and Sportsworld, I-f-I rental growth would have been +0.8%. In Belgium, strong performance continues and the 5% growth in footfall is particularly impressive, particularly as two large Carrefour units were successfully repositioned in 2019. Retail sales growth of >1% in France is a result of significant operational improvements in the second half of 2019. The strong local teams on the ground in my view lay the perfect foundation for our transformation strategy.

Due to our leasing efforts, overall occupancy remained high, but there is rental pressure as there is a surplus of retail floorspace. This rental pressure and rising yields have caused a negative total result for the year 2019.

Our Loan-to-Value is now above the targeted range. We aim to bring the debt ratio back within the 30%-40% range with selected disposals but this impacts our earning capacity. We will maintain our dividend policy with a pay-out between 75% and 85% of EPS. However, the new reality is that EPS will gradually decrease to a trough at a range of € 1.40 - € 1.50 when we have completed our disposals. From there, we expect that we will deliver EPS growth again of 4-6% per annum.“

Matthijs Storm - CEO
Schiphol, 7 February 2020

Our markets

Challenging rental markets in retail

Belgium

In Belgium, we are seeing changing consumer behavior with an increased demand for services and a rapidly increasing share of e-commerce. Retailers are taking a cautious stance when it comes to opening new locations. Fashion retailers are struggling, mainly due to the continued shortening of collection life-cycles, competition from value retailers and e-commerce. Grocery stores on the other hand are still expanding, with supermarkets like Jumbo, Lidl and Albert Heijn as the main examples. Locations that have solid footfall are still able to attract new retail formats, but units with larger floor space remain the most challenging. Food & beverage remains the key instrument to increase footfall and dwell time. In peripheral and saturated markets, increased renegotiations are putting downward pressure on rents. Yields for prime shopping centers are around 4%.

The office market in Belgium saw a gradual decline in vacancy and rising rents on prime locations. Secondary and peripheral locations are facing competition from new co-working concepts. Tailor made, small units are increasingly being offered, also as sublet from companies that rationalize their floor-space. The office investment market is still dynamic.

France

After several years of decline, shopping centers are now posting slightly increasing sales figures again. Footfall increased by 0.3% on market average, but social unrest led to a decline in footfall of -3.4% of the French shopping center index in December 2019.

The Netherlands

The number of retailer bankruptcies in the Netherlands increased again in 2019, after two somewhat more stable years of 2017 and 2018. The largest bankruptcy was the Hudson's Bay Company Netherlands, a tenant of Wereldhave in Tilburg. Supermarkets and convenience operators are still looking for expansion, as the online share in convenience is still significantly lower than in electronics and fashion. Bankruptcies of such large tenants put a pressure on rents, as restarts are often at lower rents and large floor plates are harder to re-let. Dominant urban locations are less affected by ageing populations, as the overall population is still growing. The gap between dominant urban locations and rural locations and city fringes is continuing to widen. Single ownership of shopping centers is becoming increasingly important, as it allows the owner to quickly adapt to market changes.

Downward revaluations

Values for shopping centers have declined in continental Europe; there was an acceleration in this decline visible during H2 (compared with H1). The extent, however, varies significantly by country.

The French market showed transactional evidence for shopping centers, mainly in the inner Paris area at yield levels below the valuation yields of our portfolio. Most notable transactions were those of Les Passages du Havre and Italie2 at the end of July. A significant number of assets is currently being offered for sale. Outside the Greater Paris area, appraisers did not have much transactional evidence. As a result, yields remained stable around 4.0%.

In Belgium, there hardly have been any transactional activity for shopping centers, although a few are currently for sale. Investment yields therefore have remained flat around 5.5%.

In the Netherlands, the investment activity for shopping centers increased, particularly in the second half of the year. The focus of the market has been largely on smaller shopping centers. A wide difference in yields has been visible between well-functioning centers, and those struggling with high vacancy. Yields varied roughly from low 5% to 8% or above.

Results

(x € 1,000)	2019		2018	
	direct result	indirect result	direct result	indirect result
Gross rental income	206,589	-	201,769	-
Service costs charged	34,274	-	35,267	-
Total revenues	240,863	-	237,036	-
Service costs paid	-40,575	-	-43,029	-
Property expenses	-28,814	-	-27,653	-
Total expenses	-69,389	-	-70,682	-
Net rental income	171,474	-	166,354	-
Valuation results	-	-448,343	-	-94,513
Results on disposals	-	49	-	-1,578
General costs	-14,160	-2,938	-13,837	-3,110
Other income and expense	-	-156	113	-1,572
Operational result	157,314	-451,388	152,630	-100,772
Interest charges	-28,382	-	-33,028	-
Interest income	70	-	71	-
Net interest	-28,312	-	-32,957	-
Other financial income and expense	-	-1,516	-	-2,062
Result before tax	129,002	-452,904	119,673	-102,834
Income tax	-410	4,854	-1,634	1,240
Result from continuing operations	128,592	-448,050	118,039	-101,594
Result from discontinued operations	-	506	28,660	-100,739
Result	128,592	-447,543	146,699	-202,333
Profit attributable to:				
Shareholders	113,232	-441,973	134,131	-202,137
Non-controlling interest	15,360	-5,571	12,568	-196
Result	128,592	-447,543	146,699	-202,333
Earnings per share from continuing operations (€)	2.81	- 10.99	2.62	- 2.52
Earnings per share from discontinued operations (€)	-	0.01	0.71	- 2.50
Earnings per share (€)	2.81	- 10.98	3.33	- 5.02

EPRA EPS for FY 2019 is € 2.81. This is just above our outlook provided at the interim results. It represents a 7.3% growth compared to the EPRA EPS from continued operations last year. This increase is largely the effect of two acquisitions in Belgium and lower interest expenses. The discontinued operations relate to the disposal of Finland at the end of 2018. We forecast for FY 2020 an EPRA EPS of € 2.35-2.45 on a constant portfolio basis.

EPRA NAV declined by 24.7% to € 32.99 per share. This is mainly the effect of negative revaluations. Our total return for 2019 was € -8.31 per share, following the decline in EPRA NAV and the pay-out to shareholders of € 2.52 dividend per share.

Total result

The total result for the year 2019 amounted to € - 318.9m. The direct result for 2019 came out at € 128.6m (2018: € 146.7m). Lower property valuations, particularly in the Netherlands and France, led to an indirect result of € - 447.5m.

Direct result

The decrease of the direct result of € 18.1m against the previous year is caused by the disposal of the Itis shopping center in Finland at the end of 2018. This caused a drop of € 28.1m in the direct result, which was partially offset by a net rental income increase of € 5.1m and € 4.6m lower interest charges. The direct result from continuing operations rose by € 10.6m. This is mainly the effect of the acquisition of two retail parks in Belgium and the opening of new retail units opposite to the Tournai shopping center. Net rental income amounted to € 171.5m for FY 2019.

The other effect on NRI consists of a € 0.6m increase in the Netherlands, where write-offs of rent free assets for bankrupting tenants in the Netherlands were more than offset by key money from tenants, collection of doubtful debts and indemnities received. However, in France rental income decreased by € 0.7m, mainly due to doubtful debt charges and increased legal expenditure.

Tax charges on the direct result decreased by € 1.2m to € 0.4m which can be attributed to a merger of taxable entities in Belgium and refunds relating to previous years.

General costs of continuing operations increased by € 0.3m to € 14.2m.

Indirect result

In 2019, there was a negative property revaluation of € 447.5m or 13.4% of our total portfolio value. Of this, € 324.5m occurred during the second half of the year. Compared with year-end 2018, the property valuation in the Netherlands went down by € 343m, in France by € 88m and in Belgium by € 17m (of which € 4m related to our Belgian offices portfolio). Tax charges were € 3.6m lower and there was a decrease of € 0.5m in financial income and expense. Our indirect result came to € 447.5m negative.

In the Netherlands, yields were adjusted to reflect recent market evidence transactions, but also projections of lower long-term rents. The largest hits were on the bigger shopping malls such as CityPlaza, Middenwaard and Kronenburg, whilst the bankruptcy of HBC Netherlands caused a substantial downward revaluation in Tilburg. Given the size of the larger centers, many formats already have a footprint and it takes longer to replace defaulting tenants. The average EPRA Net Initial Yield on the Dutch portfolio is now at 6.8%.

In France, there were very few reference transactions on the investment market. Property values went down with 9.8% as result of pressure on ERV levels and non-yielding capex. The average EPRA Net Initial Yield at December 31, 2019 stood at 4.6%.

In Belgium, property values went down by 1.6%. The downward revaluations primarily relate to Genk Stadsplein and Genk Shopping1, mainly from ERV decline. At the end of 2019, the average EPRA Net Initial Yield on the Belgian retail portfolio stood at 5.6%.

Operations

	# of contracts	Leasing volume	ERV uplift	MGR uplift	Occupancy rate	LFL NRI growth
Shopping Centers						
Belgium	66	10.5%	2.4%	7.2%	96.3%	0.8%
France	50	9.4%	-1.4%	-5.6%	92.8%	-1.0%
Netherlands	246	21.2%	-1.1%	-6.7%	95.1%	-1.0%
Total Shopping Centers	362	15.4%	-0.5%	-4.4%	94.8%	-0.6%

Belgium

Net rental income rose by 11% compared to 2018. This increase is primarily the result from the acquisition of two retail parks at the end of 2018. In addition, indemnities received for the surrender of leases largely accounted for a one-off increase of net rental income of € 1.1m. Property expenses rose due to write-offs of doubtful debt and higher maintenance costs. The bankruptcies of Thomas Cook and CoolCat also impacted performance. Occupancy of the shopping center portfolio stood at 96.3% at year-end 2019, against 97.2% for 2018. The Belgian offices portfolio was 89.2% let at the end of 2019, against 90.6% in 2018. This brings the overall occupancy in Belgium at year-end 2019 to 95.2% (2018: 96.2%).

Leasing activity was above the 2018 levels and accounted for 66 leases. During the fourth quarter, new leases were signed with Pizza Hut, La Vita e Bella and Proximus for Nivelles, Pronti in Tournai, TUI in Liege and van Haren in Kortrijk. The four former Thomas Cook travel agencies were quickly relet and three of the four CoolCat units have also been relet. In Genk, the former Carrefour was leased to Albert Heijn and Medimarket, together representing nearly 60% of the floorspace of the former Carrefour. Negotiations to add a drugstore and a F&B operator are ongoing. Like-for-like rental growth of the shopping center portfolio in 2019 amounted to 0.8%. Footfall in Belgium increased by nearly 5%, whilst the BLSC index decreased by 0.9%. This is remarkable, as the Wereldhave portfolio contains 4 of the 23 constituents for the index.

France

Net rental income in France for 2019 totaled € 38.5m (2018: € 39.2m). The bankruptcy of PittaRosso with the closure of three stores in our centers was the year's largest setback. At year-end 2019, occupancy of the portfolio stood at 92.8% (2018: 94.0%).

During 2019, there were 50 leases signed. The fourth quarter of 2019 saw new leases with Swarovsky for Docks76 and a dentist center in Rivetoile. Truffaut opened their doors in Mériadeck in November. The most notable renewals were with NewYorker for Docks Vauban, Kookai in Rivetoile and Promod in Saint Sever. Like-for-like rental growth for the year was -1.0%.

There was an increase in footfall of 1.1% and in tenant sales of 1.2%, both numbers above the national indices. Sports, food, household and services saw sales growth, whereas fashion and electronics sales are flat or negative. Sales levels for fashion are clearly picking up. The 2019 sales were above the previous year's levels. Social unrest and strikes have impacted the leasing activity, as travel to and from Paris became problematic.

The opening of a Truffaut urban concept gardening center in Bordeaux brought the Christmas shopping season to a higher level, clearly underpinning the relevance of gardening for our centers. In Rouen, agreement has been reached with Carrefour and a Biltoki food hall for the former Toys 'R Us store in Docks76. Preleasing for the food hall to be created in Bordeaux is ongoing, as is the preletting for the extension for Saint Sever, to accommodate a new large fashion anchor for the center.

The Netherlands

Net rental income in the Netherlands increased by € 0.6m, in spite of bankruptcies of CoolCat, Hudson's Bay, Witteveen and Sportsworld. Debt collection and key money from tenants contributed to the increase of net rental income. Occupancy at 31 December 2019 stood at 95.1%.

Hudson's Bay in the Netherlands went bankrupt in December 2019. The lease was terminated by the administrator and the keys will be returned at the end of February. Wereldhave is preparing legal action to activate the corporate guarantee. We are currently working on several options, including some temporary solutions as well as long-term leasing opportunities. Some large formats have already expressed their interest in the property.

Leasing activity in 2019 was above 2018 levels with 246 leases signed. During the fourth quarter, 11 new leases were signed, including a package deal with Nelson shoes and the signing of Bomont in the former CoolCat unit in Roosendaal and Van Haren for De Koperwiek in Capelle aan den IJssel. Like-for-like rental growth for the year came out at -1.0%, mainly the result from write-offs of rent free periods of defaulting tenants.

The footfall development in the Netherlands outperformed the market average, with De Koperwiek showing the best performance. Footfall in Capelle aan den IJssel went up by 6.3% and is now back at the 2014 level. It is a good example of how revitalizing leads to an attractive center. Overall, footfall in the Dutch portfolio went up by 0.2%, against a market average decline of -0.4%.

	LFL sales growth	OCR	Footfall growth	NPS
Shopping Centers				
Belgium	1.1%	11.4%	4.9%	16
France	1.2%	11.8%	1.1%	-32
Netherlands	n.a	n.a	0.2%	-5
Total Shopping Centers	1.2%	11.6%	1.1%	-7

Portfolio

Investment portfolio

In 2019, Wereldhave sold the former V&D department store and an adjacent office building in Hoofddorp, the Netherlands, for € 7.3m, which is € 0.3m above book value. The transaction was completed in December 2019. In Tilburg, Wereldhave acquired a store at the Heuvelstraat for € 10.6m to create a passageway between the Emmapassage and the Frederikstraat. This transaction was completed in February 2019. During the first semester of 2019, Wereldhave Belgium acquired the residual freehold rights of the car park and of an area with a leasehold held by Burger King, both in Kortrijk. In Genk some additional units were acquired, which were already let to The Fashion Store. The total investment for these acquisitions amounted to €3.0m.

	2019	2018	Change
Net Rental Income			
Belgium	46,374	40,536	14.4%
France	38,501	39,183	-1.7%
Netherlands	79,984	79,414	0.7%
Total Shopping Centers	164,860	159,133	3.6%
Offices	6,614	7,222	-8.4%
Total	171,474	166,354	3.1%

	2020	2021	2022	2023	2024	2025	2026	≥ 2027	Indefinite
Lease expiries ¹⁾									
Belgium	6.4%	16.5%	8.6%	6.8%	6.6%	7.5%	7.1%	38.3%	2.2%
France	13.4%	6.9%	3.4%	5.7%	10.9%	6.1%	5.4%	37.7%	10.6%
Netherlands	9.6%	15.8%	9.7%	12.6%	12.6%	9.6%	4.4%	19.0%	6.7%
Total Shopping Centers	9.6%	13.9%	7.9%	9.3%	10.5%	8.2%	5.4%	28.8%	6.4%
Offices	17.7%	12.0%	1.7%	6.8%	11.1%	1.4%	23.0%	18.2%	8.1%
Total	10.0%	13.8%	7.6%	9.2%	10.5%	7.9%	6.1%	28.4%	6.4%

1 Lease end date

	Number of assets	Surface owned ¹⁾	Annualised gross rent ²⁾	Net value	Revaluation	EPRA NIY
Portfolio overview						
Belgium	9	220.1	49.4	869	-1.6%	5.6%
France	6	204.9	42.9	806	-9.8%	4.6%
Netherlands	16	425.6	88.7	1,139	-23.1%	6.8%
Total Shopping Centers	31	850.6	181.0	2,815	-13.6%	5.8%
Offices	2	62.5	8.0	92	-3.8%	8.3%
Total	33	913.1	189.0	2,907	-13.4%	5.8%

1 Excluding Emmapassage Tilburg

2 As per 31 December 2019, excluding parking income

Development portfolio

In the Netherlands, the redevelopment of the West square of Presikhaaf in Arnhem started in January 2020. This is the final stage of the entire project and costs are still in line with the original budget of € 23m. Healthcare is becoming an important anchor for the center. In 2019, a dentist was added, whilst negotiations are ongoing to add other medical services, such as physiotherapists and a dietician. BasicFit opened a fitness center in Q4 2019. These are first steps for Presikhaaf towards becoming a Full Service Center.

In Capelle aan den IJssel, phase 2 of the redevelopment of De Koperwiek was completed in 2019. The total investment amounts to € 36m. Preparations for phase 4 are ongoing. This phase expands the second supermarket and adds a third supermarket to the center. The building permit has meanwhile been granted. Construction is expected to start in H1 2020.

In Tilburg, the Emmapassage has been vacated. The roof of the mall has been removed to create a new open-air shopping street. The completion is scheduled for the first half of 2020. The first tenant, Gianotten bookstore, opened on February 1, 2020. An agreement was reached with a large fashion retailer to become the second anchor in 2020. The construction of a new high street with retail and residential apartments between the Emmapassage and the Heuvelstraat has also started. Agreement has been reached with the contractor/developer on the sale of the residential apartment rights, Wereldhave remains the owner of the retail units. The total net investment for Wereldhave amounts to € 18m.

In Dordrecht, plans for a new Jumbo food market are in the final stage. The building permit application has been filed. Construction is expected to commence in the first half of 2020. The total investment amounts to € 14m.

The redevelopment of the former Carrefour unit in the Belle-Ile shopping center in Liege, Belgium, is nearly completed. The first phase of the project consists of the renovation of the roof domes and a new entrance to the parking level. Works are expected to be completed by the end of February 2020. Carrefour scaled its presence down from 10,000 m² to approx. 4,000 m². Decathlon, Action, Villeneuve, Medi-Market and Eyes & More took up the remainder, with only 600 m² still vacant at December 31, 2019.

The extension plans for Belle-Ile are currently being amended, to allow for a Full Service Center format and add residential units to the immediate surroundings of the center. Wereldhave expects to submit the building permit application in March 2020. The total investment is estimated at € 47m, with completion in Q1 2022. This project will spearhead our LifeCentral program to transform to Full Service Centers.

(In €m)	Total investment	Capex (net) so far	Capex spent 2019	YoC	Prelet	Completion
Committed						
Koperwiek	36	31	6	5.0-5.5%	91%	2020
Presikhaaf	23	21	4	5.75%-6.25%	96%	2020
Sterrenburg	14	4	1	5.25-5.75%	90%	2021
Tilburg	18	4	7	5.0%-5.5%	18%	2022
Belle-Ile	47	4	1	6.0%-6.5%	50% ¹⁾	2022
Defensive capex	64	24	18			
Committed total	202	88	37			

¹ Based on previous plan

Disposal program

We aim to reduce our financial leverage as a company, focus on Full Service Centers in the Benelux and improve future returns produced by our portfolio. As a consequence, we intend to phase-out our French portfolio, and sell assets with below threshold IRR's and/or assets which we believe will be unable to successfully transform into our Full Service Center concept.

Over the past half year, we have made some initial progress within our disposal program. We have signed an LOI for the disposal of WoensXL for € 25.7m, around book-value at december 31, 2019. Disposals of other assets from the tail of our portfolio for well over € 100m are in different stages of negotiation.

ESG

Since 2013, Wereldhave has had an energy reduction target of 30%. By year-end 2018, this target was achieved with energy savings of 32% (measured as kWh per visitor, 2013-2018).

To understand how far or close we are in doing our fair share, Wereldhave committed to the Science-based Targets Initiative in 2020, as part of our new CSR Strategy. A target to reduce greenhouse gas (GHG) emissions is considered "science-based" if it is in line with the goals of the Paris Agreement; to limit global heating to well-below 2°C above pre-industrial levels.

Our ambition for 2030 is that our Full Service Centers will be low carbon, less wasteful and make positive communal impact, fully aligned with 6 of the 17 Sustainable Development Goals of the United Nations.

Remuneration

Wereldhave is currently drafting a new remuneration policy with the main goals of tailoring it to our new strategy, complying with the SRD 2 requirements and further strengthening the alignment of the executives' interests with those of our shareholders. Overall, remuneration levels will not change, but new indicators for the STI and LTI will be chosen to align remuneration with the new strategic KPI's. These will be fully measurable, with 90% ex-ante and 100% ex-post disclosure of targets. The TSR threshold for vesting will become more ambitious, with higher scores required for vesting and the introduction of an absolute TSR hurdle. Stakeholder consultations have started. The proposal will be published on March 13, 2020, with the agenda for the next AGM.

Equity & NAV and financing

Equity & net asset value

On December 31, 2019, shareholders' equity including minority interest amounted to € 1,550.3m (December 31, 2018: € 1,975.8m). The number of shares in issue did not change during the year, at 40,270,921 ordinary shares.

€ per share	2019	2018	Change
IFRS NAV	32.78	43.35	-24.4%
EPRA NAV	32.99	43.82	-24.7%
EPRA NNNAV	31.81	42.41	-25.0%
EPRA NRV	36.07	47.47	-24.0%
EPRA NTA	32.97	43.71	-24.6%
EPRA NDV	31.80	42.34	-24.9%

Financing

During the first half of the year, the proceeds from the disposal of Itis were used to redeem maturing debt, a € 56m in US Private Placements in February and a € 250m convertible bond in May. There were no major refinancing transactions during the second part of the year.

Interest-bearing debt was € 1,335.7m at December 31, 2019, which together with a cash balance of € 20.8m results in a net debt of € 1,314.9m. Undrawn borrowing capacity amounted to € 220m and the Loan-to-value ratio stood at 44.8% (YE 2018: 37.5%) compared with our bank covenant of 60%. As at year-end 2019 the average cost of debt and ICR were 1.89% and 6.6x (covenant >2.0x) respectively. The weighted average term to maturity of interest-bearing debt was 4.0 years.

Dividend

For 2019, Wereldhave will pay a full-year dividend of € 2.52. This means a final dividend will be proposed of € 0.63 per share. The ex-dividend date is April 28, 2020. The dividend will be payable as from May 4, 2020.

Outlook

Wereldhave has the ambition to become the market leader in Full Service Centers in the Benelux, broaden the customer experience and improve our digital capabilities. Through our LifeCentral program, we will actively transform our assets, rightsizing them to the new reality, restoring the retail balance and add new functions and use. We will strengthen our balance sheet by divesting selective assets and phasing out our presence in France.

We are well positioned to transform our assets to Full Service Centers. The assets are on densely populated and well connected locations and the gap between current retail rent levels and mixed-use is modest. Capital allocation will be based on the total property return, with a disciplined data driven, fact based approach. Assets with below target IRR's will be sold.

The transformation of our portfolio will be executed simultaneously with our disposal program. This will lower our debt and strengthen our balance sheet, but we expect our earnings per share will decrease over the next three years. We are confident that after the disposals have been executed, we will be able to create rental growth, value growth and dividend growth.

For the year 2020, we expect a direct result between € 2.35 and € 2.45 per share on a constant portfolio basis. Wereldhave maintains its dividend policy with a pay-out between 75% and 85% of EPS. Due to the planned disposals and the LifeCentral transformation program, EPS will gradually decrease to bottom out at a range of € 1.40 - € 1.50. From there, we expect to deliver growth again of 4-6% per annum. Dividend for the year 2020 is expected to be at € 1.76. Interim dividend per quarter is set at € 0.44, with an expected final distribution of € 0.44, in line with the pay-out ratio. The financial calendar with ex-dividend, record and payment dates can be found on our website.

Conference call / webcast

Wereldhave will present the results for the year 2019 via a webcast and conference call at 10.00 CET, today. This (live) webcast will be available at www.wereldhave.com. Questions can also be put forward by e-mail.

Consolidated statement of financial position

at December 31, 2019

(x € 1,000)	Note	December 31, 2019	December 31, 2018
Assets			
Non-current assets			
Investment property in operation		2,833,690	3,213,454
Lease incentives		5,639	6,754
Investment property under construction		67,357	59,999
Investment property	2	2,906,686	3,280,207
Property and equipment		6,026	2,120
Intangible assets		517	897
Derivative financial instruments		34,024	27,245
Deferred tax assets		-	-
Other financial assets		826	717
Total non-current assets		2,948,080	3,311,185
Current assets			
Trade and other receivables		49,391	52,697
Tax receivables		15,008	13,693
Cash and cash equivalents		20,834	125,925
Total current assets		85,232	192,314
Investments held for sale		9,880	6,940
Total assets		3,043,192	3,510,440
Equity and Liabilities			
Equity			
Share capital		40,271	40,271
Share premium		1,711,033	1,711,033
Reserves		-431,705	-6,815
Attributable to shareholders		1,319,598	1,744,489
Non-controlling interest		230,682	231,347
Total equity		1,550,281	1,975,836
Non-current liabilities			
Interest-bearing liabilities	4	1,167,684	1,019,151
Deferred tax liabilities		1,227	6,648
Derivative financial instruments		25,414	36,421
Other long-term liabilities		34,615	14,774
Total non-current liabilities		1,228,941	1,076,994
Current liabilities			
Trade payables		8,436	8,529
Tax payable		14,751	11,651
Interest-bearing liabilities	4	167,973	339,167
Other short-term liabilities		72,430	96,031
Derivative financial instruments		381	2,230
Total current liabilities		263,971	457,610
Total equity and liabilities		3,043,192	3,510,440

Consolidated income statement

for the year ended December 31, 2019

(x € 1,000)	Note	2019	2018
Gross rental income		206,589	201,769
Service costs charged		34,274	35,267
Total revenue		240,863	237,036
Service costs paid		-40,575	-43,029
Property expenses		-28,814	-27,653
Net rental income	6	171,474	166,354
Valuation results		-448,343	-94,513
Results on disposals		49	-1,578
General costs		-17,098	-16,946
Other income and expense		-156	-1,459
Operating result		-294,073	51,858
Interest charges		-28,382	-33,028
Interest income		70	71
Net interest		-28,312	-32,957
Other financial income and expense		-1,516	-2,062
Result before tax		-323,902	16,839
Income tax		4,444	-395
Result from continuing operations		-319,457	16,444
Result from discontinued operations	7	506	-72,078
Result for the year		-318,951	-55,634
Result attributable to:			
Shareholders		-328,741	-68,006
Non-controlling interest		9,790	12,372
Result for the year		-318,951	-55,634
Basic earnings per share from continuing operations (€)		-8.18	0.10
Diluted earnings per share from continuing operations (€)		-8.18	0.10
Basic and diluted earnings per share from discontinued operations (€)		0.01	-1.79
Basic earnings per share (€)		-8.17	-1.69
Diluted earnings per share (€)		-8.17	-1.69

Consolidated statement of comprehensive income

for the year ended December 31, 2019

(x € 1,000)	2019	2018
Result from continuing operations	-319,457	16,444
Result from discontinued operations	506	-72,078
Result	-318,951	-55,634
Items that may be recycled to the income statement subsequently		
Effective portion of change in fair value of cash flow hedges	2,989	-4,632
Changes in fair value of cost of hedging	2,056	2,660
Items that will not be recycled to the income statement subsequently		
Remeasurement of post-employment benefit obligations	-200	265
Total comprehensive income	-314,106	-57,340
Attributable to:		
Shareholders	-323,782	-69,932
Non-controlling interest	9,676	12,592
	-314,106	-57,340

Consolidated statement of changes in equity

for the year ended December 31, 2019

(x € 1,000)	Attributable to shareholders						Non- controlling interest	Total equity
	Share capital	Share premium	General reserve	Hedge reserve	Cost of hedging reserve	Total attributable to shareholders		
Balance at January 1, 2018	40,271	1,711,033	186,071	-4,847	-4,366	1,928,162	188,351	2,116,513
Comprehensive income								
Result	-	-	-68,006	-	-	-68,006	12,372	-55,634
Remeasurement of post-employment obligations	-	-	172	-	-	172	93	265
Effective portion of change in fair value of cash flow hedges	-	-	-	-4,758	-	-4,758	126	-4,632
Changes in fair value of cost of hedging	-	-	-	-	2,660	2,660	-	2,660
Total comprehensive income	-	-	-67,834	-4,758	2,660	-69,932	12,592	-57,340
Transactions with shareholders								
Share based payments	-	-	-167	-	-	-167	-	-167
Dividend	-	-	-112,756	-	-	-112,756	-4,598	-117,354
Change non-controlling interest	-	-	-702	-	-	-702	35,003	34,301
Other	-	-	-116	-	-	-116	-	-116
Balance at December 31, 2018	40,271	1,711,033	4,495	-9,605	-1,706	1,744,489	231,348	1,975,836
Balance at January 1, 2019	40,271	1,711,033	4,495	-9,605	-1,706	1,744,489	231,348	1,975,836
Comprehensive income								
Result	-	-	-328,741	-	-	-328,741	9,790	-318,951
Remeasurement of post employment obligations	-	-	-133	-	-	-133	-67	-200
Effective portion of change in fair value of cash flow hedges	-	-	-	3,036	-	3,036	-47	2,989
Changes in fair value of cost of hedging	-	-	-	-	2,056	2,056	-	2,056
Total comprehensive income	-	-	-328,874	3,036	2,056	-323,782	9,676	-314,106
Transactions with shareholders								
Shares for remuneration	-	-	318	-	-	318	-	318
Share based payments	-	-	-201	-	-	-201	-	-201
Dividend	-	-	-101,480	-	-	-101,480	-5,947	-107,427
Change non-controlling interest	-	-	276	-	-	276	-4,386	-4,110
Other	-	-	-22	-	-	-22	-7	-29
Balance at December 31, 2019	40,271	1,711,033	-425,488	-6,569	350	1,319,598	230,684	1,550,281

Consolidated cash flow statement

for the year ended December 31, 2019

<i>(x € 1,000)</i>	2019	2018
Operating activities		
Result	-318,951	-55,634
Adjustments:		
Valuation results	448,343	112,776
Net interest	28,312	32,943
Other financial income and expense	1,504	2,062
Results on disposals	-555	84,227
Deferred tax	-4,854	-3,120
Amortisation	1,928	752
Movements in working capital	-11,219	11,903
Cash flow generated from operations	144,507	185,909
Interest paid	-29,060	-32,682
Interest received	70	85
Income tax paid	-687	-1,261
Cash flow from operating activities	114,831	152,051
Investment activities		
Proceeds from disposals direct investment properties	13,518	34,544
Proceeds from disposals indirect investment property	-2,696	437,257
Investments in investment property	-80,345	-186,152
Investments in equipment	-500	-457
Investments in financial assets	-109	-437
Investments in intangible assets	-78	-141
Cash flow from investing activities	-70,210	284,614
Financing activities		
Proceeds from interest bearing debts	272,760	35,996
Repayment interest bearing debts	-313,317	-247,819
Movements in other long-term liabilities	-2,046	613
Other movements in reserve	319	-
Transactions non-controlling interest	-	4,239
Dividend paid	-107,427	-117,354
Cash flow from financing activities	-149,711	-324,325
Increase/decrease in cash and cash equivalents	-105,091	112,340
Cash and cash equivalents at January 1	125,925	13,585
Cash and cash equivalents at December 31	20,834	125,925

Notes to the consolidated financial statements

1 Segment information

Geographical segment information 2019

(x € 1,000)	Belgium	Finland	France	Netherlands	Headoffice	Total
Result						
Gross rental income	63,914	-	50,368	92,308	-	206,589
Service costs charged	7,880	-	17,222	9,172	-	34,274
Total revenue	71,794	-	67,589	101,480	-	240,863
Service costs paid	-10,407	-	-19,716	-10,452	-	-40,575
Property expenses	-8,397	-	-9,373	-11,044	-	-28,814
Net rental income	52,989	-	38,501	79,984	-	171,474
Valuation results	-17,498	-	-8,710	-343,135	-	-448,343
Results on disposals	6	-	-6	49	-	49
General costs	-3,931	-	-2,185	-2,467	-8,515	-17,098
Other income and expense	4	-	-2	-	-158	-156
Operating result	31,569	-	-51,401	-265,569	-8,672	-294,073
Interest charges	-2,660	-	-15,702	-20,675	10,654	-28,382
Interest income	53	-	-	13	3	70
Other financial income and expense	-686	-	-	-	-830	-1,516
Income tax	649	-	-396	3,915	276	4,444
Result from continuing operations	28,925	-	-67,500	-282,315	1,432	-319,457
Result from discontinued operations	-	506	-	-	-	506
Result	28,925	506	-67,500	-282,315	1,432	-318,951
Total assets						
Investment properties in operation	947,069	-	804,476	1,082,145	-	2,833,690
Investment properties under construction	12,615	-	-	54,742	-	67,357
Assets held for sale	7,480	-	-	2,400	-	9,880
Other segment assets	23,180	-	34,715	178,481	1,365,919	1,602,296
minus: intercompany	-201	-	-	-65,000	-1,404,830	-1,470,031
	990,143	-	839,191	1,252,769	-38,911	3,043,192
Investments	22,164		14,539	39,593	-	76,296
Gross rental income by type of property						
Shopping centres	56,315	-	50,368	92,308	-	198,990
Offices	7,599	-	-	-	-	7,599
	63,914	-	50,368	92,308	-	206,589

Geographical segment information 2018

(x € 1,000)	Belgium	Finland	France	Netherlands	Headoffice	Total
Result						
Gross rental income	57,374	-	51,270	93,125	-	201,769
Service costs charged	11,576	-	14,913	8,778	-	35,267
Total revenue	68,950	-	66,182	101,903	-	237,036
Service costs paid	-13,566	-	-19,579	-9,883	-	-43,029
Property expenses	-7,627	-	-7,420	-12,606	-	-27,653
Net rental income	47,757	-	39,183	79,414	-	166,354
Valuation results	-1,327	-	-33,794	-59,391	-	-94,513
Results on disposals	-35	-	-652	-890	-	-1,578
General costs	-3,344	-	-2,619	-1,625	-9,357	-16,946
Other income and expense	117	-	-6	-	-1,570	-1,459
Operating result	43,167	-	2,111	17,507	-10,928	51,858
Interest charges	-2,669	-	-15,128	-19,909	4,678	-33,028
Interest income	44	-	-	26	-	71
Other financial income and expense	-	-	-	-	-2,062	-2,062
Income tax	21	-	-1,007	592	-	-395
Result from continuing operations	40,563	-	-14,024	-1,783	-8,312	16,444
Result from discontinued operations	-	-72,078	-	-	-	-72,078
Result	40,563	-72,078	-14,024	-1,783	-8,312	-55,634
Total assets						
Investment properties in operation	940,584	-	877,646	1,395,224	-	3,213,454
Investment properties under construction	14,692	-	-	45,307	-	59,999
Assets held for sale	-	-	-	6,940	-	6,940
Other segment assets	35,712	-	37,410	308,617	1,411,925	1,793,664
minus: intercompany	-10,532	-	-	-65,000	-1,488,085	-1,563,618
	980,456	-	915,056	1,691,087	-76,160	3,510,440
Investments	106,025	29,317	34,995	51,009	-	221,346
Gross rental income by type of property						
Shopping centres	49,503	-	51,270	93,125	-	193,898
Offices	7,871	-	-	-	-	7,871
	57,374	-	51,270	93,125	-	201,769

2 Investment property

(x € 1,000)	Investment property in operation	Lease incentives	Investment property under construction	Total Investment property
2019				
Balance at January 1	3,213,454	6,754	59,999	3,280,207
Recognition of right-of-use asset on initial application IFRS 16	16,050	-	-	16,050
Adjusted balance at January 1	3,229,504	6,754	59,999	3,296,257
Purchases	18,188	-	-	18,188
Investments	33,009	-	25,099	58,108
From / to development properties	15,453	-	-15,453	-
To / from investments held for sale	-9,880	-	-	-9,880
Disposals	-6,529	-	-	-6,529
Valuations	-446,055	-	-2,288	-448,343
Other	-	-1,115	-	-1,115
Balance at December 31	2,833,690	5,639	67,357	2,906,686
2018				
Balance at January 1	3,643,322	8,014	122,361	3,773,697
Purchases	73,303	-	-	73,303
Investments	81,954	-	66,089	148,043
From / to development properties	114,762	-	-114,762	-
To investments held for sale	-	-	-	-
Disposals	-602,761	-3,339	-	-606,100
Valuations	-97,126	-	-13,689	-110,815
Other	-	2,079	-	2,079
Balance at December 31	3,213,454	6,754	59,999	3,280,207

3 Net asset value per share

The authorised capital comprises 75,000,000 million shares each with a nominal value of € 1. As at December 31, 2019, 40,270,921 ordinary shares were issued.

	2019	2018
Equity available for shareholders (x € 1,000)	1,319,598	1,744,489
Number of ordinary shares per 31 December	40,270,921	40,270,921
Purchased shares for remuneration	-15,498	-27,927
Number of ordinary shares per 31 December for calculation net asset value	40,255,423	40,242,994
Net asset value per share (x € 1)	32.78	43.35

4 Interest bearing liabilities

(x € 1,000)	December 31, 2019	December 31, 2018
Bank loans	419,075	283,835
Private placement	739,137	725,936
Convertible bonds	-	-
EMTN	9,472	9,380
Long-term interest bearing liabilities	1,167,684	1,019,151
Bank loans	74,973	-
Private placement	-	55,616
Treasury notes	93,000	35,000
Convertible bonds	-	248,551
Short-term interest bearing liabilities	167,973	339,167
Total interest bearing liabilities	1,335,657	1,358,318

(x € 1,000)	2019	2018
Balance at January 1	1,358,318	1,557,658
New funding	272,760	35,996
Repayments	-313,317	-247,819
Use of effective interest method	1,170	1,474
Effect of fair value hedges	1,446	531
Exchange rate differences	15,280	10,478
Balance at December 31	1,335,657	1,358,318

The carrying amount and fair value of long term interest bearing debt is as follows:

(x € 1,000)	December 31, 2019		December 31, 2018	
	carrying amount	fair value	carrying amount	fair value
Bank loans, private placement and EMTN	1,167,684	1,207,517	1,019,151	1,056,633
Total	1,167,684	1,207,517	1,019,151	1,056,633

5 Fair value measurement

(x € 1,000)	Fair value measurement using			
	Total	Quoted prices (Level 1)	Observable input (Level 2)	Unobservable input (Level 3)
2019				
Assets measured at fair value				
Investment property in operation	2,839,329	-	-	2,839,329
Investment property under construction	54,742	-	-	54,742
Investments held for sale	9,880	-	-	9,880
Financial assets				
Derivative financial instruments	34,024	-	34,024	-
Liabilities for which the fair value has been disclosed				
Interest bearing debt	1,375,490	-	1,375,490	-
Derivative financial instruments	25,795	-	25,795	-
2018				
Assets measured at fair value				
Investment property in operation	3,220,208	-	-	3,220,208
Investment property under construction	51,074	-	-	51,074
Investments held for sale	6,940	-	-	6,940
Financial assets				
Derivative financial instruments	27,245	-	27,245	-
Liabilities for which the fair value has been disclosed				
Interest bearing debt	1,398,692	251,443	1,147,249	-
Derivative financial instruments	38,651	-	38,651	-

6 Rental income by country

(x € 1,000)	Gross rental income		Property expenses, service costs and operating costs		Net rental income	
	2019	2018	2019	2018	2019	2018
Belgium	63,914	57,374	10,925	9,617	52,989	47,757
France	50,368	51,270	11,866	12,087	38,501	39,183
The Netherlands	92,308	93,125	12,324	13,711	79,984	79,414
Total	206,589	201,769	35,115	35,415	171,474	166,354

7 Result from discontinued operations

Discontinued operations represent the net result of the Finland operations that were sold in 2018. The result from discontinued operations breaks down as follows:

(x € 1,000)	2019	2018
Net rental income	-	26,989
Valuation results	-	-18,263
Results on disposals	506	-82,649
General costs	-	-49
Net interest	-	14
Income tax	-	1,880
Result from discontinued operations	506	-72,078

8 Related parties

The Board of Management, the Supervisory Board and subsidiaries of Wereldhave N.V. are considered to be related parties. The members of the Supervisory Board and of the Board of Management had no personal interest in any of the Company's investments during the year.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions if such terms can be substantiated.

9 Contingent liabilities

In France, a discussion has arisen with the tax authorities about the application of the Tax Treaty between France and the Netherlands. If Wereldhave indeed would not be eligible for the benefits of the French – Dutch tax treaty, as the French tax authorities seem to argue, the exemption granted by the SIIC regime is essentially eliminated by the imposition of an alternative tax. This might effectively render the SIIC regime meaningless. No tax assessment or formal claim has been received yet. However, the prenotification has been received for the years 2015 up to and including 2017 for a total amount of € 61.7m. Wereldhave is vigorously contesting any reassessment on the basis that it is entitled to the benefits of the Tax Treaty, which has been the practice since 2003 in accordance with confirmations issued by the French Central Tax Authority. Based on the initial assessment of our position, Wereldhave believes there are solid grounds to contest this prenotification. Subsequently, no provision has been recorded.

10 Events after balance sheet date

On February 6, 2020 we signed an LOI for the disposal of WoensXL for € 25.7m, around book-value at december 31, 2019.

11 Basis of preparation results 2019

The accounting principles applied for this press release have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code. The figures of this press release are unaudited.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2018.

Change in classification

The group reclassified in the comparative figures an amount of € 5.0m from 'gross rental income' to 'property expenses'. This change has no impact on equity and results.

IFRS 16

Wereldhave adopted IFRS 16, 'Leases' from January 1, 2019. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Classification and Measurement

The Group as a lessee

A right-of-use asset and a lease liability is recognised at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. Right-of-use assets are presented under property and equipment. Right-of-use assets that meet the definition of investment property are presented under investment property and subsequently measured at fair value in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date which are discounted using the Group's incremental borrowing rate, unless the interest rate implicit in the lease is available. The lease liability is subsequently increased by the interest costs on the lease liability and decreased by any lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or changes to the assessment whether a purchase or extension options is reasonably certain to be exercised. Judgement may need to be applied to determine the lease term for some lease contracts that contain renewal or termination options. The assessment may significantly affect the amount of lease liabilities and right-of-use assets recognised.

For the transition at January 1, 2019 the Group accounted for its leasehold contracts, office and car leases under IFRS 16 using the modified retrospective approach. As permitted under the specific transitional provisions, the 2018 comparative information is not restated. On adoption of IFRS 16 Wereldhave elected to use the transition practical expedient to recognise only lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. Therefore, the definition of a lease under IFRS 16 has only been applied to contracts entered into or changed on or after January 1, 2019. Wereldhave elected to use the recognition exemptions for leases with a lease term of 12 months or less at date of initial application and lease contracts for which the underlying asset is of low value.

Lease liabilities were measured at the present value of the remaining lease payments and discounted using the incremental borrowing rate as of January 1, 2019. The weighted average rate applied is 5%. Lease liabilities are included in other long-term liabilities in the statement of financial position.

Right-of-use assets were measured at the amount equal to the lease liability and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at December 31, 2018.

The impact of the transition to IFRS 16 is summarised below.

<i>(x € 1,000)</i>	January 1, 2019
Assets	
Investment Property	16,050
Property and equipment	4,646
Total right-of-use assets recognised under IFRS 16	20,696
Liabilities	
Other long-term liabilities	20,696
Total lease liabilities recognised under IFRS 16	20,696
Operating lease commitments at December 31, 2018	85,518
Discounted using the incremental borrowing rate at January 1, 2019	20,696
Lease liabilities recognised at January 1, 2019	20,696

For leases under IFRS 16 the Group recognised depreciation and interests costs instead of operating lease expenses. For the twelve months ended December 31, 2019 the Group recognised depreciation charges of € 1.3m and interest costs of € 1.1m. No depreciation is recognised for right-of-use assets that meet the definition of investment property. Payments of lease liabilities are presented as cash flows from financing activities in the cash flow statement.

The Group as a lessor

IFRS 16 did not result in any changes to the accounting of leases where Wereldhave acts as the lessor.

