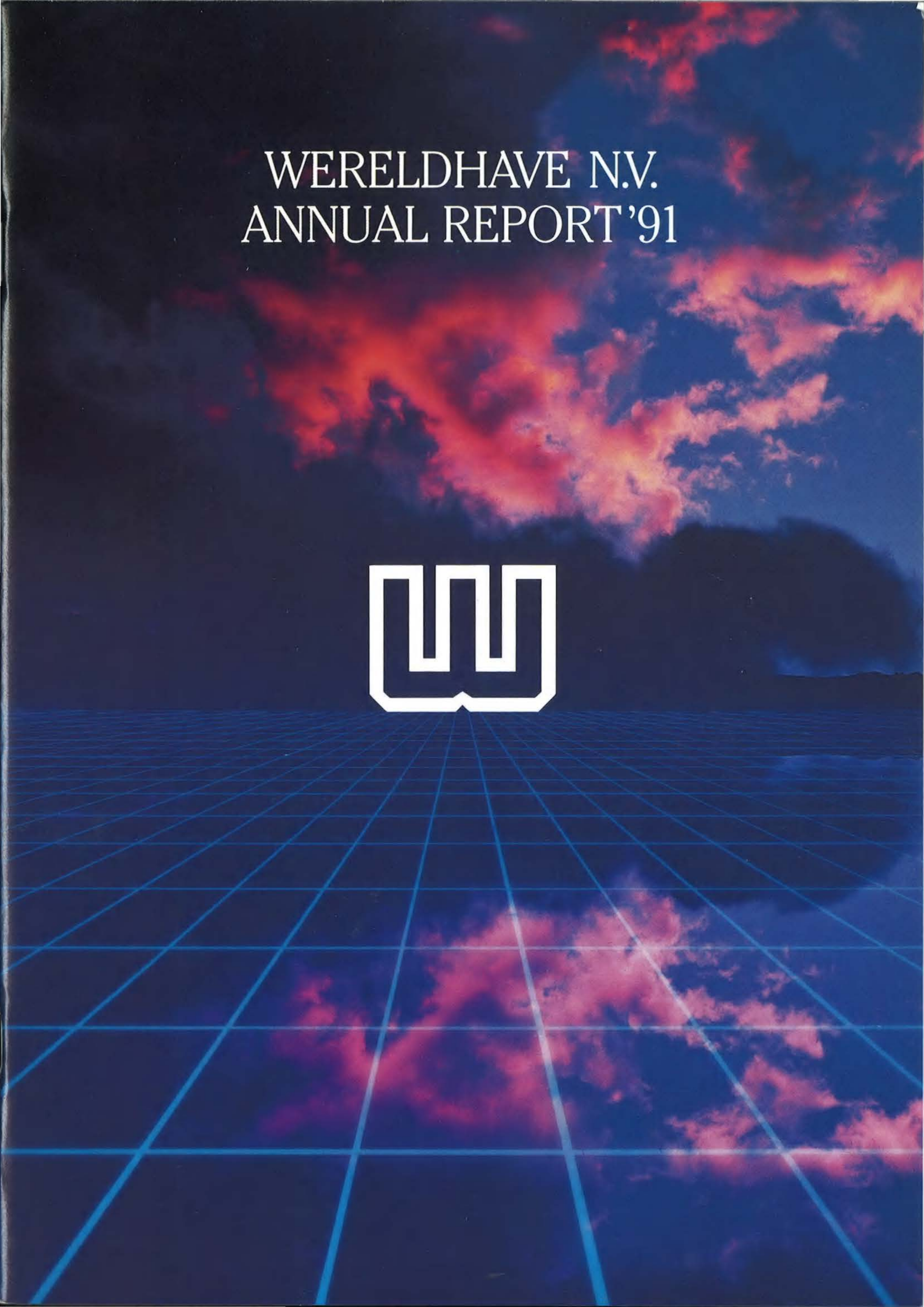
WERELDHAVE N.V.
ANNUAL REPORT '91



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Annual Report and Accounts 1991

Wereldhave N.V. (Investment company with variable capital)

Supervisory Board

J.F. Visser (Chairman)
F.H.J. Boons
J.M.G. Hoes
J.C. van Spronsen
P.J. Vinken

Board of Management

M.T. Kooistra (Chairman)
G.C.J. Verweij

Report to shareholders

We have pleasure in submitting the Annual Report of the Board of Management of the Company and the Accounts for the year ended December 31, 1991. We propose the approval of the Accounts and, in accordance with the proposal of the Board of Management, a cash dividend of Dfl. 8.- per share.

Mr J.H. Christiaanse, who died on October 2, 1991, had been a member of our Supervisory Board since 1975 and during the period from April 1982 till the end of 1990 he fulfilled the role of Chairman of the Supervisory Board. During all these years he carried out his duties for our Company with dedication and involvement. His expert advice was of great value for Wereldhave's progress since 1975. We shall miss not only his expert knowledge but, in addition, his pleasant personality and warm friendship.

At the Annual General Meeting of Shareholders on March 26, 1992, Messrs F.H.J. Boons and J.M.G. Hoes will retire by rotation from the Supervisory Board. They have stated that they are available for re-election. The appointment of Mr W. Lemstra is proposed to fill the vacancy on the Supervisory Board following the death of Mr Christiaanse.

Supervisory Board

J.F. Visser, Chairman

The Hague, February 26, 1992

This is the English translation of the official Dutch Annual Report and Accounts 1991.

Summary of past five years

	1987	1988	1989	1990	1991
Results (× Dfl. 1 mln)					
Net rental income	98.7	117.9	171.7	193.5	213.9
Direct investment result	67.9	79.0	109.3	95.1	92.8
Total investment result	71.4	103.1	166.9	2.8	./. 234.0
Balance sheet (× Dfl. 1 mln)					
Investments	1,592.1	2,926.0	3,213.9	3,374.5	3,156.5
Shareholders' equity	1,086.8	1,645.8	1,993.5	1,904.3	1,585.6
Long-term debt	561.9	1,245.8	1,192.8	1,415.8	1,500.1
Distribution of investment properties (in %)					
Offices	83	68	71	66	66
Shops	11	25	23	27	28
Other commercial	6	7	6	7	6
Geographical distribution of investments (in %)					
Belgium	12	7	8	10	11
Germany	7	4	4	5	7
France	16	10	11	16	16
Hungary	—	—	—	—	< 1
Netherlands	50	22	19	18	18
Spain	—	1	2	4	5
United Kingdom	1	45	43	35	29
United States	14	11	13	12	13
Issued ordinary shares of Dfl. 20 nominal value (in numbers)	6,682,454	9,635,886	11,184,134	11,407,817	11,465,993
Statistics per ordinary share of Dfl. 20*) (in Dfl.)					
Net asset value	149.99	163.43	174.09	166.27	137.63
Direct investment result	9.58	9.53	9.64	8.27	8.05
Total result	11.45	21.02	18.50	0.18	./. 20.64
Dividend	7.43 +2%	7.58 +2%	7.84 +2%	8.00	8.00

*) The amounts per share have been adjusted for the 1989, 1988 and 1987 bonus issue of 2% and the 1988 rights issue.

Report of the Board of Management

Conditions on a number of major commercial property markets failed to improve during 1991. Nevertheless, Wereldhave was able to achieve higher net rental income as a result of rent reviews and additions to the investment portfolio. Other investment income decreased in consequence of the sale of the remainder of the trading portfolio in the United Kingdom, which was completed by mid-1991. The expansion of the investment portfolio also led to an increase in interest charges. Considering the market situation, Wereldhave achieved a satisfactory direct investment result which amounted to Dfl. 92.8 mln (1990: Dfl. 95.1 mln) or Dfl. 8.05 (1990: Dfl. 8.27) per share.

New investments were made in Belgium, Hungary, the Netherlands and the United States. Properties were sold in the Netherlands and the United Kingdom with the proceeds falling a few per cent short of book value at December 31, 1990. In keeping with market conditions the value of investments was adjusted downwards by 8% during the year under review. The drop in value for the second half of the year was 2%, significantly less than the 6% recorded over the first six months. At the end of 1991, the value of the investments amounted to Dfl. 3.2 bln (1990: Dfl. 3.4 bln). Net asset value at December 31, 1991 amounted to Dfl. 137.63 per share after the proposed dividend (1990: Dfl. 166.27 after distribution of profits).

It is proposed to pay an unchanged cash dividend of Dfl. 8.- per share, of which Dfl. 3,50 was distributed as an interim dividend in September 1991.

On January 27, 1992 Wereldhave and VIB N.V. announced that they are undertaking an investigation of the benefits of and the possibilities for a far-reaching form of co-operation.

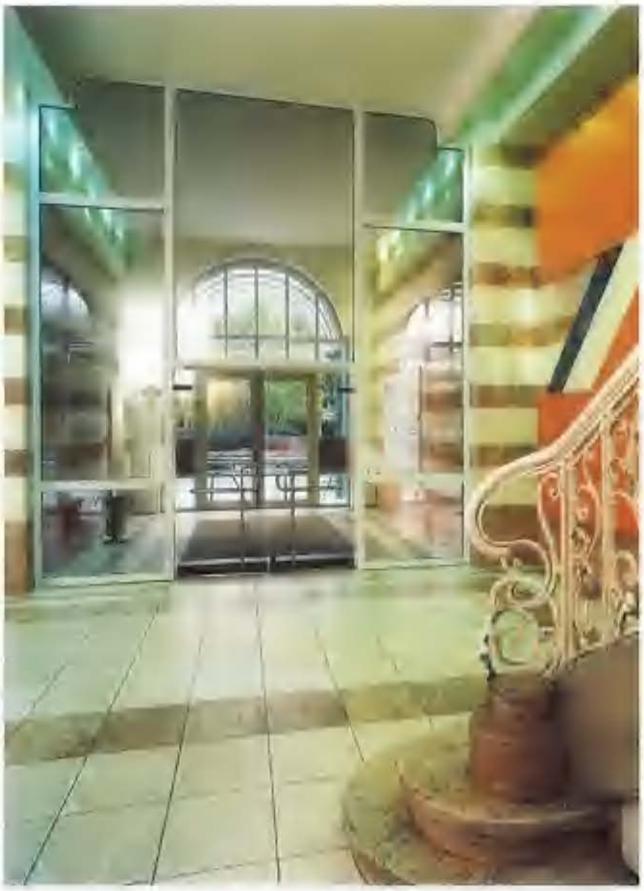
Economic and financial developments

The year under review was one of wide differences within the international economies. It was a year of recession for the Anglo-Saxon countries, becoming clearly evident with levelling of consumer expenditure and lower investment. The economies of Continental Europe and Japan continued to grow, although less robustly than before. Germany even succeeded in achieving a rate of economic growth of 3% in the face of heavier fiscal burdens and a drop in expenditure in the eastern part of the country. The Spanish economy also continued to be strong. Economic growth elsewhere in Continental Europe was modest, with strong growth in exports, especially to Germany, but with only limited increases in consumer expenditure and investment.

In many countries, the economic situation and the fall in energy prices after the Gulf crisis led to a weakening of inflationary pressures, especially in the United Kingdom and the United States. Inflation also fell in Spain, Belgium and France. On the other hand prices rose more strongly in the Netherlands and Germany, largely as a result of Government tax measures. The rise in inflation in Germany was the Bundesbank's cue for a series of hikes in official interest rates which the Dutch authorities also followed. Money-market interest rates also rose in France. In other countries, particularly the United States and the United Kingdom, money-market rates were lowered in the interest of stimulating the economies. In Japan and Spain the reduction in short-term rates was intended to prevent an overly rapid economic slow-down. Long-term interest rates dropped all over the world. The biggest falls were recorded in those countries, such as Spain and France, where the rates were initially relatively high. Substantial falls were experienced in the Anglo-Saxon countries, with less pronounced downward movements in Germany and the Netherlands.

The currency markets were dominated by the movements of the U.S. dollar and Sterling, both of which moved erratically. The dollar appreciated strongly in the first half of the year as a result of the rapid ending of the Gulf war, increased confidence in the United States' economy and pessimism over German re-unification. After the summer the dollar lost ground as interest-rate differentials moved increasingly in favour of the Deutschmark and the

The Entrance Hall at 21 Taunusanlage, Frankfurt, following refurbishment.



economy failed to make a convincing recovery. As British inflation rates fell Sterling also appreciated early in the year, but successive cuts in base rates and the continuing economic weakness caused it to slip back as the year progressed. On balance, there were no significant movements in the other EMS-currencies.

A gradual recovery is forecast for the economies of the Anglo-Saxon countries during 1992. In the United States low interest rates, falling inflation and improved international competitiveness should lead to an increase in economic activity. The British economy is also expected to revive. The German economy will suffer somewhat from the pressures of re-unification and this will affect economic activity in the neighbouring countries. Nevertheless, higher growth rates are forecast for a number of Continental European countries. France should be able to profit from the containment of costs with a relatively low rate of inflation. The country's competitive position has improved and provided leeway for an increase in consumer expenditure. With extra help from the fall in oil prices the inflation in the industrialized world can be expected to drop.
The extent to which inflation in Germany and the Netherlands will fall depends on the level of wage increases and new Government measures. Lower inflation should be followed by lower interest rates which would be beneficial to the property markets.

The international property markets

Once more, conditions on the commercial property markets showed wide variations during 1991. Markets in the Anglo-Saxon countries again showed no signs of recovery, although there was a slight fall in investment yields for prime retail properties in the United Kingdom towards the year-end. Office markets in Belgium and Germany continued to be strong. In France and Spain, however, they were past their peak and the weakness in the Netherlands persisted. The markets for retail properties in Continental Europe developed favourably.

Office markets

The current weakness in office property markets can best be explained by reviewing the market developments over the last ten years. After the recession at the beginning of the 1980s there was a marked recovery in the economies of the main industrialized countries. Demand for office accommodation swelled. This was particularly true in the case of the financial sector. In London, for example, a large number of foreign financial institutions sought office space in advance of the 'Big Bang', the deregulation of the British financial markets in 1986. Encouraged by the improved prospects for the property markets, as evidenced by rising rents and valuations, investors made large-scale additions to their direct and indirect property investments. This interest in property as an investment was heightened by the 1987 Stock Market Crash. With improved prospects for property and lower interest rates developers were encouraged to develop new properties, for which development finance was readily available. In consequence the number of property developments, frequently of a speculative nature, increased sharply. Partly as a result of new categories of property investors entering the market, yields fell. Japanese investors were active in the United States and the United Kingdom at this time, whereas toward the end of the decade it was mainly Swedish investors who made extensive property investments in Western Europe. At the same time long-term interest rates began to rise, rental growth slowed visibly and vacancy rates began to turn upwards in a number of markets. Remarkably, the fall in yields continued for some time. However, a great number of property investors began to regard the performance prospects for property more sceptically and demanded higher yields from their investments. Political developments in Eastern Europe – set in motion by the dismantling of the Berlin wall – precipitated a rapid surge in interest rates. Institutional and private investors turned their backs on investment in property shares. In the Netherlands this resulted in a number of other property investment companies suspending the repurchase of their own shares during 1990. Lower economic growth in most western countries also depressed the demand for office space whilst at the same time the completion of new projects drove an ever larger wedge between supply and demand.

In conclusion, it may be said that higher rents and property values, combined with lower long-term interst rates, created a situation whereby property development for a time was extremely lucrative.

Investors were prepared to purchase property at extremely low yields and financiers readily provided developers with the means to launch new projects. The rush of construction activity which ensued unleashed serious problems on the rental and investment markets for office properties in the United States and a number of Western European countries. Many buildings reached completion without a substantial amount of space being pre-let. Financiers who in the past had provided large loans for property development, are currently exercising great caution. This is a factor which, in addition to changes in the level of demand for office space, will prove to be of great importance in arriving at a closer balance between supply and demand on the office property markets.

Retail property markets

In contrast to the course of events in office property markets the retail markets experienced a generally favourable development in the 1980s. This was especially true for Continental Europe where shop rents rose gradually and, in general, yields fell slightly. Well-located shops and shopping centres are practically fully let. Retail markets in the United Kingdom and the United States have performed less positively in recent years. Valuations rose over the period 1985-1989 as a result of rising market rents and falling yields but then a reaction set in. There have been substantial falls in valuations caused by a steep rise in yields and a drop, although generally a modest one, in market rents. In the United Kingdom yields have now stopped rising and even begun to fall slightly again.

Favourable conditions in Continental Europe can be attributed principally to the many restrictions on establishing new retail outlets as well as to the rapid growth in consumer expenditure in recent years. The construction of new shopping centres is frequently resisted by established shopkeepers who view them as a threat to their livelihood. In addition, limitations are set by the infrastructure; shops attract more motor traffic than offices. Large additions to the stock of retail space usually take place on the outskirts of the cities where parking is better, but here too they face environmental and other restrictions.

An important development is the increase in the scale of retail projects. Large, well-located shopping areas with sufficient parking space have been proved to outperform other formulae. In the last five years, especially, the total return on retail property has exceeded that on offices. We expect this superior performance to be repeated in future years, although there will be large differences from one country to another and between individual retail properties.

Equity and debt financing

Shareholders' equity amounted to Dfl. 1.6 bln at the end of 1991, equal to 51% of total assets. The acquisition of the Parinor shopping centre at the end of 1990 was financed in part by a 5-year Luxemburg franc debenture, the proceeds of which were subsequently swapped into French francs.
In the latter part of the year short-term borrowings of over U.S.$ 60 mln were consolidated into two long-term fixed-rate dollar loans. Refinancing requirements during 1991 were very limited. Wereldhave's borrowings consist largely of fixed-rate longer-term loans in seven different currencies. At the end of 1991 the average weighted interest rate was 8.4%.

Currencies

Early during 1991 we cancelled the hedging arrangement against the Group's exposure to both Sterling and the U.S. dollar. The weakness of Sterling during the year had a negative effect on Wereldhave's currency result. We chose an option strategy for our dollar exposure which provided protection from a fall in the dollar below the Dfl. 1.85 level and this cushioned the effect of the fall of the dollar later in the year; this form of cover was ended at the beginning of February 1992.

Wereldhave's currency policy is aimed mainly at preventing unacceptable damage to shareholders' equity from major shifts in currency values.
Existing local funding provides a partial protection against currency risks. In principle, equity exposure to EMS-currencies is not hedged, although an exception may be made for those EMS-currencies with a fluctuation margin of 6%.

Dividend policy

Wereldhave has decided to change its dividend distribution policy. Up till now the annual dividend has been made up of both an interim and a final dividend. The distribution of an interim dividend, however, involves Wereldhave and the shareholders in extra costs. These costs can be considerable, certainly for dividends paid out to shareholders domiciled abroad. Wereldhave's status as an investment company requires it to pay out its profit for tax purposes each year. This means that savings are passed on to the shareholders. The annual dividend for 1992 and that for subsequent years, will be distributed as a single payment to shareholders upon approval of the dividend proposal by the Annual General Meeting of Shareholders.

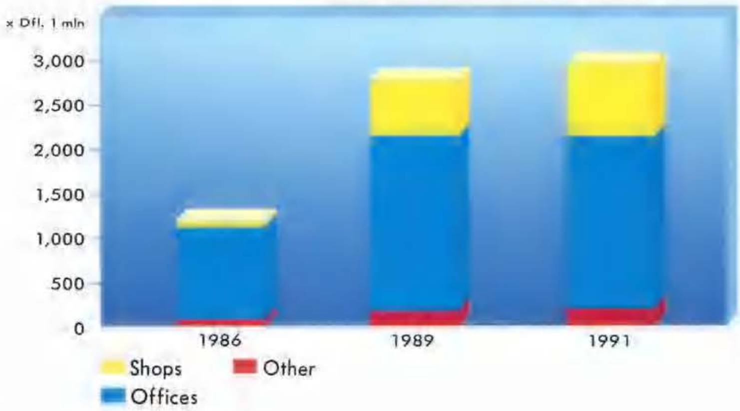
Performance

The movement of Wereldhave's share price was disappointing during the year under review. After a modest upturn at the end of the Gulf war the price slipped back, on limited volume of trading, to close the year at Dfl. 114.50. This fall was mainly due to the pessimistic attitude towards property investment. At the end of the year the share price was 19% below net asset value (before distribution of the final dividend). The share price movement during 1991 resulted in a negative market performance.

Investments

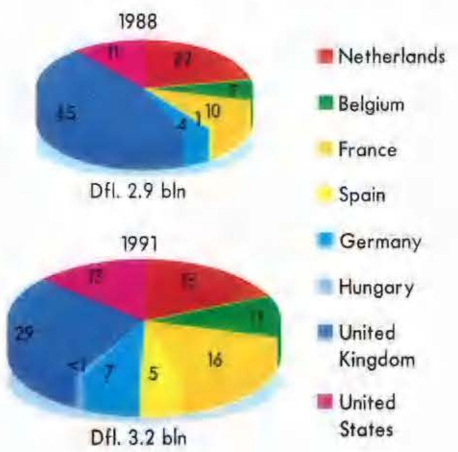
During 1991 the Group invested Dfl. 34.7 mln in purchasing a shopping centre in the Dutch town of Etten-Leur, shops in Belgium and an office project in Hungary. In addition, Wereldhave increased its participation, from 85% to over 99%, in West World Holding, Inc., the vehicle through wich Wereldhave's investments in the United States are held. This increase was effected mainly through an exchange of West World Holding, Inc. shares for Wereldhave's on an equivalent net asset value basis. At the end of the year, West World Holding, Inc. acquired an office building in Dallas for which it had provided mortgage finance in 1983. Twenty-one buildings, most of them small, were disposed of in the United Kingdom. In the Netherlands a building was sold in Amstelveen. The proceeds of these sales were a few per cent below the book value as at December 31, 1990. Dfl. 89.2 mln were invested in improvements to, and further developments of, the existing portfolio.

Distribution of investment properties



Shops and shopping centres rose to 28% of the investment property portfolio and office buildings were unchanged at 66%. The geographical distribution of investments shows that the United Kingdom fell from 35% in 1990 to 29% and the United States increased from 12% to 13%.
At the end of 1991 the market value of the investment portfolio was Dfl. 3 bln.

Geographical distribution of investments (in %)



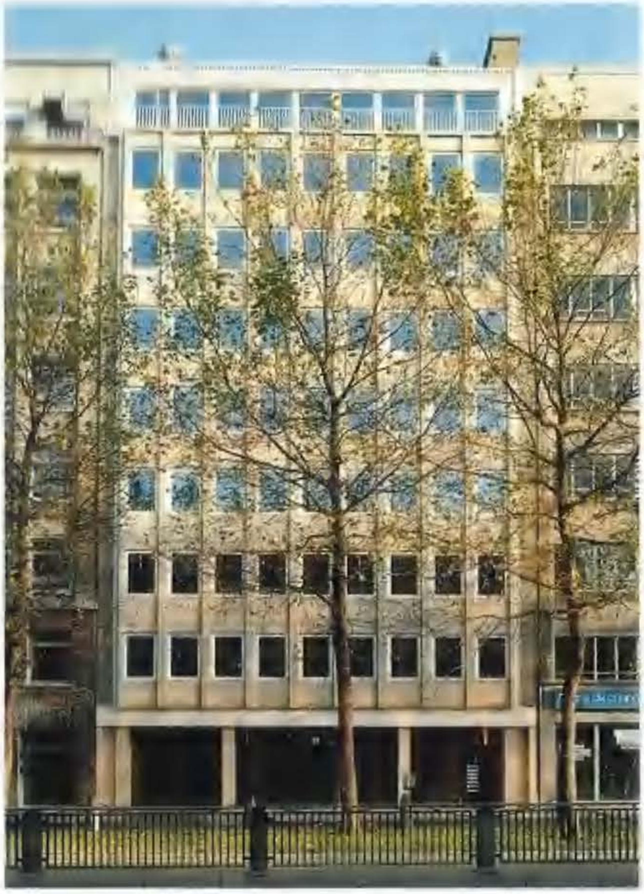
Belgium

In Belgium economic growth was modest with higher exports and consumer expenditure. Helped by moderate wage increases inflation fell back to a very low level. The strength of the Belgian franc within the EMS contributed to a lowering of short-term and long-term interest rates. A somewhat higher growth rate is expected in 1992 with consumer expenditure being stimulated by an increase in disposable income.

For many years now the office market in the Brussels conglomeration has been characterized by a very low level of vacancies. This even fell somewhat during 1991 when the EEC abandoned its headquarters at Berlaymont for temporary accommodation elsewhere in the city. Market rents for prime offices have risen steeply over the last five years and stabilized during 1991 at levels between Bfrs. 7,000 and Bfrs. 8,000 per m2 per year. Yields for top sites rose slightly from 6½% to 7%. Since a fairly large amount of new property will come to the market in the next two years and the growth in demand will slow down, some increase in vacancy rates can be foreseen. This is especially true for the area near the Noord-Station and the southern periphery. Against this background increases in market rents are unlikely in the next few years.

The rise in shop rents in the main shopping streets of the large cities stopped during 1991 but there were increases in the smaller cities and in the shopping centres. Additions to shopping space in the inner cities are increasingly coming up against infrastructural limitations. Hardly any new centres have been built in Belgium in recent years, which makes the enlargement and renovation of existing centres an interesting proposition. Yields for good-quality shopping centres lie at around 7½% to 8%.

Our Belgian portfolio produced satisfactory results during the year under review. The level of vacancies is minimal, at approximately 2%. Leases coming up for renewal in the retail portfolio were renegotiated,



41 Kunstlaan, Brussels, following refurbishment.

in many cases, at substantially higher rents. Nine shops in the 'Nivelles' shopping centre and three shops in the 'Le Bastion' centre in Kortrijk were completely renovated. The construction of an additional 3,000 m2 of shopping and storage space at 'Le Bastion' will commence shortly. At the end of 1991 a new property of three well-let shops was acquired in Verviers. The new 'Orion' office building on the Boulevard Bischoffsheim in Brussels is now fully let. The value of the Belgian portfolio rose by 5% during 1991. At the end of the year the portfolio was valued at Dfl. 354 mln.

Germany

Re-unifaction 'came home to roost' during the year under review. Economic growth fell as the year progressed, mainly as a result of a weakening in consumer expenditure. Tax increases and rising labour costs have resulted in markedly higher inflation, leading the Bundesbank to raise official interest rates. A fall in inflation and lower interest rates are expected to revive the economy later in 1992, although the outcome of wage negotiations could upset this forecast.

Office markets in most of the large cities in the western part of Germany have, by and large, performed well during 1991. In many cases market rents for first-class buildings have risen substantially and investment yields have remained fairly low. However, rental growth is expected to become less rapid and yields are expected to rise slightly as a result of increased activity on the part of foreign property developers and the high level of long-term interest rates. In the eastern part of Berlin and in the large cities that used to be part of the German Democratic Republic, such as Leipzig and Dresden, there is a great scarcity of modern, efficient offices. Here too market rents have risen considerably.

Market rents for German retail property also developed satisfactorily during 1991. Yields for shops in the well-known precincts and arcades, where the specialist luxury outlets are located, are low and in many cases below five per cent. Yields for shopping centres are slightly higher. A large number of new shopping projects are being considered for the eastern part of the country.

Our German portfolio performed excellently during 1991. Leases due for renewal have been renegotiated at considerably higher rents, a development which is expected to continue. Vacancies are negligible. The renovation of our building in the Heinrichstrasse in Dusseldorf, which was started in 1990, is now nearing completion. We have modernized several floors of our Mörsenbroicherweg building, also in Dusseldorf. The market value of the portfolio rose substantially to Dfl. 219 mln at the end of the year.

France

The French economy grew by 1½% in 1991, fuelled mainly by increased consumer expenditure and exports. One notable development was the drop in the rate of inflation to one of the lowest levels in the EEC. This contributed to a significant reduction in long-term interest rates. Short-term rates on the other hand remained high in view of the weak position of the French franc within the EMS. Economic growth is expected to be higher in 1992 as a result of the country's improved competitive position and increased purchasing power, which will benefit consumer expenditure.

The Paris office market is past its peak. Extensive new construction has got under way in recent years leading to a more ready supply of office space. A large number of buildings will continue to come onto the market in the next few years. The development of the economy means that the demand for office accommodation will grow less rapidly than in the past so that an increase in the vacancy rate, currently approximately 7% in the Paris conglomeration, is forecast. Since the lion's share of construction activity is taking place on the outskirts it is there, rather than in the heart of Paris, that the consequences will be most keenly felt.

The shift in emphasis between market forces has put downward pressure on market rents for top-class office buildings in the city centre but the disparity between the centre and the periphery continues to be large. Yields for this class of buildings have risen in the city center from approximately 5% to 6%. Interest in property as an investment is currently at a low ebb with few transactions taking place. A further rise in yields cannot be disregarded, especially in new office locations. One positive sign is that the tempo of new projects being started has slowed considerably. Banks are hesitant to provide development finance and this is an important contributory factor.

The French shop market is healthy. Town and country planning in the Ile de France is aimed at reinforcing the strength of the large shopping centres on the outskirts of Paris, partly because the accessibility of the city centre by car is poor. Passing rents for existing shopping centres are often below market rents, giving the potential for substantial increases to be achieved.

Against this background the results of our French investments were satisfactory. The portfolio is fully let. Renewals of leases for our offices, all of which are situated in the centre of Paris, were concluded at higher rents. The 'Parinor' shopping center developed well. Our 'hands on' management and the good understanding which we have built up with the tenants and 'Parinor's' joint-owners have borne fruit. Substantial rental increases were achieved, especially where existing leases were purchased and the property relet to new tenants. Further improvements in layout and tenant mix have been implemented. Plans are being prepared for adding to the centre and improving the parking facilities. The increase in yields for office property has led to a reduction of the value of the portfolio by several per cent. At the end of 1991 the value of the investment portfolio amounted to Dfl. 515 mln.

Hungary

The Hungarian economy is mixed. The rationalization of state-owned enterprises has led to a fall in production in this sector of the economy. Unemployment and the Government's financial deficit have grown. The private sector, on the other hand, is expanding rapidly. Not only small enterprises are being privatized, but large ones also. The freeing of prices and the lowering of subsidies have pushed inflation up to an estimated 38%. Exports to western countries have increased very rapidly. With imports also rising fast a small trade deficit has arisen. The forint was devalued by 15% in January 1991 and by a further 5.8% in November.

For several years there has been a shortage of modern office accommodation in Budapest. To meet this shortage a number of trade centres has been built in top-class locations in the centre of the city. From 1990 onwards there has been a large increase in interest on the part of foreign companies in setting up office in Budapest. Market rents for prime offices lie between D.M. 40 and D.M. 50 per m2 per month; yields range from 12% to 15%.

The Hungarian retail sector is still in its infancy. There are hardly any shopping centres. Consumers have to rely mainly on street vendors and indoor markets for food supplies. For the moment, real openings for the construction of new shopping centres in Budapest are limited by the relatively low

10-12 Nagydiófa Utca, Budapest, completed early in 1992. The photographs of the building were taken during construction; the front (above), the rear and part of the interior (below).

income levels in Hungary, the high building costs and the high interest rates.

Developments on the Budapest property market have led Wereldhave to develop an office building in the city centre in combination with a Hungarian partner. The building, in which Wereldhave has a 60% share, will be completed early in 1992 and has been partly pre-let.

Netherlands

Economic growth during 1991 was in excess of 2%. Exports, particularly to Germany, continued to do well. Personal consumption also rose substantially. Inflation climbed to almost 5%, mainly as a result of extensive increases in charges imposed by the Government. The Central Bank followed the German example and raised official rates thus keeping up short-term interest rates in the Netherlands also. Long-term rates, on the other hand, fell. A somewhat lower economic growth rate is expected in 1992.
The vacancy rate in the Dutch office market rose again last year. Market rents barely rose, except in Amsterdam-South and neighbouring Buitenveldert. Yields were again higher. Partly as a result of the lower rate of economic growth the demand for office space is expected to weaken. Since a large amount of new developments are still in the process of construction, especially on the periphery and along the motorways, supply will continue to be abundant for some time and increasing vacancy rates are forecast. Government zoning policies are making locations which are easily accessible by public transport increasingly popular.

In 1991 the Dutch retail market looked healthier than the office market. Shop rents increased slightly. An increase in retail space is anticipated in the near future, especially in the neighbourhood of new

12 Veraartlaan, Rijswijk, let to PTT-Telecom following refurbishment.

housing projects in cities designated as special 'growth areas' and by the enlargement of existing shopping centres. Consumers are increasingly showing a preference for large shopping centres, especially when free parking is available. Competition between shopping areas will intensify and well-situated, professionally-managed shopping centres will have a competitive advantage.

Our policy of increasing the weighting of retail property in our portfolio has proved worthwhile. Rental income from our shop investments progressed satisfactorily as a result of the renewal of a number of existing leases and also new lettings. Important leases with new tenants were also concluded in the office market, thus keeping the vacancy rate down to a few per cent. Small-scale and more extensive renovations are carried out regularly to our office buildings and shopping centres in order to retain their attractiveness to tenants. In the middle of the year, we acquired a shopping centre (14,500 m2; 65 shops) in Etten-Leur. In consultation with the local authority plans are drawn up for the enlargement of this centre. This will be followed by the renovation of the existing facilities. In the latter part of the year we sold the property Kostverlorenhof/Rooseveltlaan in Amstelveen for a sum in excess of the 1990 book value. In line with the market the valuation of the portfolio was trimmed by 7%. The value of the investment portfolio at December 31, 1991 was Dfl. 574 mln.

Spain

The Spanish economy was once more one of Europe's fastest growing in the year under review. Consumer expenditure was maintained at a high level. Inflation, although somewhat lower, was still high at 5.7%. To prevent a weakening of economic growth and in view also of the peseta's strong position within the EMS, there was a slight relaxation of monetary policy during 1991. The result was a fairly large fall in money-market and long-term interest rates. The peseta, nevertheless, continues to be strong.

The Spanish office market is concentrated in Madrid and Barcelona. Lower economic growth and an increased supply of new office space has brought the office-market 'boom' in these cities to a halt. In Madrid, the increase in vacancies has occurred mainly outside the city centre but has also affected city-centre market rents and property values. The fall in market rents in the city centre was, however, less than elsewhere. Yields there have risen slightly. Market rents in Barcelona have stabilized. The number of investment transactions was low. In Madrid, especially, there is a very cautious attitude towards constructing new offices and consequently the market can be expected to be firm in time.
The retail trade in Spain is concentrated largely in the main shopping streets of the cities. Since the city centres are becoming less easily accessible by car, consumers are increasingly turning to hypermarkets on the outskirts. The range of articles on offer in the smaller shopping centres is, however, limited and there are still only a few large shopping centres in Spain. It is to be expected that the country's deficiency in this respect will be reduced in the next few years.

The Spanish portfolio consists of one office building in the centre of Madrid and three development projects. Two of these, an office building (3,000 m2) in Madrid and an office building with shops (5,200 m2) in Barcelona will be completed in 1992. In view of market conditions the value of the Spanish portfolio was reduced. The value of the total portfolio amounted to Dfl. 159 mln at December 31, 1991.

United Kingdom

The British economy did not yet emerge from recession during 1991. Both personal consumption and investment fell, and unemployment rose. The inflation rate fell as a result of the weakness of the economy, allowing the Government to lower interest rates as a stimular. The drop in interest rates and the spur which it provides to discretionary expenditure should usher in a modest economic recovery in 1992.

The British office market is going through a difficult period. Vacancies in Central London exceed 15% and in the City of London 20%. The long spell of economic weakness has drastically reduced demand for space. Additionally, a large-scale restructuring is taking place in the financial services industy in the City. The chief cause of the increase in vacancies, however, lies in the speculative developments which were initiated towards the end of the 1980s with a large number of developers getting into difficulties. These factors resulted in further substantial falls in market rents and property values during 1991. Yields climbed to levels of 9% and more. Market rents for prime City offices are now at around £ 35 per sq ft as against over £ 50 per sq ft a year ago. Buildings for which new tenants are being sought have been especially hard hit by the slide in market rents. Under the British system leases are typically for a term of twenty-five years with 'upwards only' rent reviews every five years and rents will generally remain unchanged or increase on review. Differences in the dates at which leases take effect or rents are reviewed, can be responsible for large differences in valuation in otherwise identical office buildings. At the moment scarcely any new projects are being started so that a stabilization in market rents and property values is likely in the future.

The economic situation has also affected the retail sector, especially the market segment of luxury goods and consumer durables. The principal shopping streets have been hard hit in large and medium-sized cities. Yields on new shopping centres, frequently struggling with unlet space, lie at a relatively high level of 9% to 10%.

Our British management organization has been successful in letting space against this difficult background. A large number of relettings has been made, in many cases at higher rents. In addition, thirty-five new leases have been negotiated. We were also able to carry out the planned property disposal programme, selling twenty-one buildings to raise slightly less than the book value as at the end of December 1990. Seven per cent of the portfolio was unlet at the end of 1991, a figure which compares favourably with the high average vacancy rates in London and the surrounding areas. The value of Wereldhave's portfolio was written down by 18% during 1991. The investment portfolio was valued at Dfl. 863 mln at the end of 1991.

United States

After the end of the Gulf war the economy staged a slight revival. Nevertheless, investment continued to drop and consumer expenditure scarcely increased. One positive factor was the steep fall in inflation which enabled the monetary authorities to lower official interest rates considerably. A recovery is expected for 1992 but will be held back by the large deficit on the Federal Government's budget and the deep indebtedness of families and corporations. Lower interest rates will probably be used in the first instance to improve the financial position.

Office markets in the United States are struggling with high vacancy rates despite a steep fall in new construction. In the large cities the average vacancy rate increased slightly to 18%, an increase which has been caused primarily by the slump in demand for office accommodation. This can be traced to the weakness of the United States' economy. In comparison to previous recessions there has been a much more pronounced negative effect on white-collar employment both in private industry and in government. Market rents and property values fell. Yields have risen and in some cities lie between 9%

and 10%. Once the economy recovers a gradual fall in vacancy rates may be expected, although with a time-lag, especially in those regions where employment is growing rapidly.

The recession has also hit the retail sector, especially in the case of the more expensive specialty shops and most of the large department stores. Discount stores, on the other hand, are recording rising turnover. In the last two years yields on large regional malls have risen from 5½% to 7½%.

Our United States management organization gave priority to letting. As a result of the retrenchment of the financial sector the vacancy level in our New York portfolio remained high. The recently-concluded leases have in general been for relatively short periods. In relation to market conditions the occupancy levels in our buildings in Washington and Philadelphia can be considered satisfactory. Wereldhave's share in West World Holding, Inc. has been lifted from 85% to over 99%. This addition to our shareholding was carried out principally on the basis of an exchange of West World Holding, Inc. shares for Wereldhave shares on an equivalent net asset value basis. At the end of 1991 West World Holding, Inc. acquired the Pacific Place office building (29,700 m2) in Dallas on the termination of the mortgage loan on these premises which West World Holding, Inc. had made available in 1983. The building, dating from 1982, is more than 60% let, with the Federal Deposit Insurance Company as principal tenant. Although the letting market in Dallas is not strong, Wereldhave expects that the efforts of its management team will bring about a gradual improvement in rental income.

The value of the portfolio was trimmed by nearly 9%. The value of the investment portfolio at December 31, 1991 amounted to Dfl. 425 mln.

Results

The direct investment result for 1991 amounted to Dfl. 92.8 mln, or Dfl. 8.05 per share (1990: Dfl. 95.1 mln, or Dfl. 8.27 per share). Gross rental income amounted to Dfl. 272.7 mln, which was Dfl. 28.9 mln higher than the figure for 1990. Operating costs increased by Dfl. 8.5 mln to Dfl. 58.8 mln, in part as a result of additions to the investment portfolio. As foreseen, the disposal of the remaining properties in the British trading portfolio produced a reduction in other investment income to Dfl. 9.5 mln against Dfl. 19.5 in 1990. Interest charges increased by Dfl. 11.6 mln to Dfl. 109.6 mln; this increase can be traced largely to additions to the investment portfolio. Principally as a result of downward adjustments to the value of the portfolio, net asset value dropped to Dfl. 137.63 per share after deduction of the proposed dividend (1990: Dfl. 166.27 after distribution of profits).

We extend our heartfelt thanks to the staff of Wereldhave and our management organization in the Netherlands and abroad for their intensive efforts and involvement during the year.

Prospects

Wereldhave will continue to improve the composition of the portfolio with further strengthening of the retail sector. Rapid changes in property markets are reflected in tenants' and investors' requirements. Wereldhave intends to satisfy these and exploit the possibilities offered by intensive management to achieve growth in rents and property values. This also implies that there will be switches in the portfolio, involving buildings which, against the background of market prospects, are expected to offer lower returns or for which even intensive management yields little extra value. In acquiring new investments, we prefer buildings which offer potential for increased rental income and capital value. Over the years Wereldhave has built up its own management organizations in the countries where it operates and these organizations have proved their worth. In order to avail ourselves of the opportunities now available on some property markets, we shall pay great attention to strengthening our equity base.

Despite the unfavourable situation on several important office markets, an increase in rental income is indicated, mainly as a result of rent reviews on older leases. The satisfactory development of the results of our retail portfolio is also expected to continue in 1992. In view of this we forecast a direct investment result per share for 1992 at the same level as that for 1991.

The development of net asset value depends closely on the course of events in the property markets which are of importance to us. As far as the European retail sector is concerned we view developments with confidence. Market forces in this sector are in much closer balance than in the case of offices. The imbalance between supply and demand in a number of office markets gives no reason to expect that a substantial increase in market rents and capital values will occur in the short-term. Rents will be boosted as the demand for office accommodation responds to an economic recovery as has been forecast for a number of the countries where we invest. The rapid reduction of development activities in a large number of countries will bring forward the point at which a better balance is reached between supply and demand in the office markets. One positive factor should be the fall in interest rates which has taken place in many countries. In view of the rise in yields, this will, it is anticipated, restore the relative attraction of property investments. Finally, for there to be an improvement in property values in the short-term, it is vital that investor confidence should recover.

The Board of Management

M.T. Kooistra
G.C.J. Verweij

The Hague, February 26, 1992

Accounts 1991 Wereldhave N.V.

Consolidated balance sheet at December 31, 1991

after proposed distribution of profits *(× Dfl. 1 mln)*

	1991		1990	
Investments				
investment properties	2,977.7		3,047.2	
other investments	178.8		327.3	
		3,156.5		3,374.5
Working capital				
accounts receivable	70.9		94.7	
cash and bank balances	71.8		225.0	
short-term debt	./. 162.5		./. 311.3	
		./. 19.8		8.4
		3,136.7		3,382.9
Long-term debt				
loans	./. 1,490.7		./. 1,407.6	
other liabilities	./. 9.4		./. 8.2	
		./. 1,500.1		./. 1,415.8
Provisions		./. 51.0		./. 62.8
Shareholders' equity		1,585.6		1,904.3
Composition of shareholders' equity				
paid-up and called-up share capital		236.8		235.7
share premium		1,229.9		1,223.4
revaluation reserve		—		206.2
general reserve		118.9		239.0
		1,585.6		1,904.3

Consolidated results for 1991

(× Dfl. 1 mln)

	1991		1991		1990		1990	
Investment income								
gross rental income		**272.7**				243.8		
operating costs	./.	**58.8**			./.	50.3		
net rental income		**213.9**				193.5		
income on other investments		**9.5**				19.5		
				223.4				213.0
Costs								
interest	./.	**109.6**			./.	98.0		
general costs	./.	**20.5**			./.	18.9		
			./.	**130.1**			./.	116.9
direct investment result before tax				**93.3**				96.1
taxes on corporate income			./.	**0.5**			./.	1.0
Direct investment result				**92.8**				95.1

Movements in shareholders' equity for 1991

(× Dfl. 1 mln)

	1991		1991		1990		1990	
Direct investment result				**92.8**				95.1
Indirect investment result			./.	**326.8**			./.	92.3
Total investment result			./.	**234.0**				2.8
proposed dividend	./.	**92.3**			./.	92.0		
issues of shares		**7.6**				—		
			./.	**84.7**			./.	92.0
Decrease in shareholders' equity			./.	**318.7**			./.	89.2

Notes to the accounts

Consolidation

Companies which are directly or indirectly involved in investment in property, securities and mortgage loans and which form a group with Wereldhave, are included in the consolidated annual accounts. Interests of less than 100% are consolidated on a proportional basis. Proportional consolidation provides a direct illustration of the magnitude of Wereldhave's investments, other related assets and liabilities, and results.

Terminology

With respect to a number of items in the annual accounts, deviations have been made from generally prescribed terminology. The terminology which has been adopted is more informative and more in keeping with the nature of investment activities.

Foreign currencies

Balance sheet items are translated into Dutch Guilders at year-end rates of exchange. The results denominated in foreign currencies are converted at period-average rates of exchange. Exchange differences are accounted for under the revaluation reserve.

The values of assets and liabilities denominated in foreign currencies have been converted to guilders at the following year-end rates of exchange:

	1991	1990
100 Bfrs	**Dfl. 5.47**	Dfl. 5.46
100 Ffrs	**32.985**	33.175
100 Ptas	**1.769**	1.766
1 D.M.	**1.12675**	1.12815
100 For	**2.239**	—
1 U.K. £	**3.2025**	3.255
1 U.S. $	**1.7104**	1.69

Basis of valuation for assets and liabilities

General

Assets, liabilities and provisions are included at current value, except in those cases where a different basis of valuation is disclosed in the notes to the accounts.

Investments

Investment properties

Investment properties are independently valued each year at open market value less selling costs. Differences from the previous year's valuations are taken to the revaluation reserve, taking into account investments made in the year under review.

Other investments

- *Development properties*
  Development properties are valued at cost or at estimated market value if lower. Development properties transferred from investment properties are valued at estimated market value. Cost includes commitments made for capital expenditure on works not yet undertaken as well as possible capitalized attributable interest costs and results from exploitation. Differences from the previous valuation are accounted for in the revaluation reserve. A property is not considered to be a development property:
  - if the property has been at least 75 per cent let, or
  - one year after the date of certified practical completion of the development.
- *Property trading portfolio*
  Properties intended for trading purposes are valued at cost or at estimated market value if lower. Differences from the previous valuation are accounted for in the results.
- *Securities*
  Securities are valued at their stock market quotations. Differences from the valuation at the previous year end are taken to the revaluation reserve, taking into account purchases and disposals in the year under review.
- *Loans*
  Loans are valued at the principal amount outstanding minus such provisions as may be deemed necessary.

Provisions

Provisions are created to meet possible future liabilities or risks. The provision for contingent tax liabilities is based on the discounted value.

Accounting polices for determining results

Investment income

Gross rental income

Gross rental income is composed of the rents charged to tenants with respect to the year. Gross rental income on United States properties includes, along with the basic rent, payments for increased usage of energy and price increases on services, property taxes, energy, etc.

Operating costs

Relate to operating costs attributable to the year and the main elements are:
- maintenance
- property tax
- insurance
- fees for rent collection and management
- service costs which cannot be charged to tenants
- letting expenses.

No provision is made for depreciation on properties.

Income on other investments

Includes the following:
- realized and unrealized valuation differences on the property trading portfolio
- interest on loans granted
- interest income and dividends on securities.

Costs

Interest

Comprises interest attributable to the year on loan liabilities, other debts, accounts receivable and liquid assets, plus differences in interest payments arising on the conversion of financing arranged in foreign currencies. Capitalized interest costs attributable to investments are also included.

General costs

General costs are those attributable to the year under review which relate to operational activities. The costs which relate to asset management are deducted from total general costs and charged to the indirect investment result.

Taxes on corporate income

Under this heading are shown corporate tax and withholding tax related to results from investments in group companies in the year under review.

Movements in shareholders' equity

The schedule of movements in shareholders' equity presents the total investment result and movements on account of share issues, along with the proposed dividend distribution over the year under review.

The total investment result consists of the direct investment result and the indirect investment result.

The principal components of the indirect investment result are:
- valuation adjustments on investments and movements in contingent tax liabilities
- exchange rate differences on investments and loan liabilities plus exchange rate differences arising on forward sales transactions and other currency transactions and the translation of results denominated in foreign currencies.

Differences from previous valuations, exchange rate differences and movements in contingent tax liabilities are accounted for in the revaluation reserve. Should the revaluation reserve be insufficient, a replenishment takes place out of the general reserve.

Tax status

Wereldhave N.V. has the tax status of an investment company in accordance with Article 28 of the Netherlands' 'Wet op de vennootschapsbelasting 1969' (Corporation Tax Act 1969). This means that no Dutch corporation tax is to be paid, provided that certain conditions are met. The main conditions concern the requirement to distribute the taxable profit as dividend and the restrictions with respect to financing of investments with loans. It is not required to include surplusses aring on disposal of investments in the taxable profit to be distributed.

Notes to the consolidated balance sheet at December 31, 1991

(× Dfl. 1 mln)

	1991	1990
Investment properties		
balance at January 1	**3,047.2**	2.790.5
exchange rate difference	**./. 15.1**	26.3
	3,032.1	2,816.8
purchases/expenditures	**119.7**	288.6
transferred from other investments	**200.5**	84.1
	3,352.3	3,189.5
disposals	**./. 123.9**	./. 76.2
	3,228.4	3,113.3
valuation adjustments	**./. 250.7**	./. 66.1
balance at December 31	**2,977.7**	3,047.2
Other investments		
balance at January 1	**327.3**	423.4
exchange rate difference	**./. 1.7**	7.9
	325.6	431.3
purchases/expenditures	**74.9**	94.2
transferred to investments properties	**./. 200.5**	./. 84.1
	200.0	441.4
disposals/desinvestments	**./. 11.9**	./. 92.4
	188.1	349.0
valuation adjustments	**./. 9.3**	./. 21.7
balance at December 31	**178.8**	327.3

The specification of these investments is as follows:

	1991	1990
development properties	**178.7**	194.1
property trading portfolio	**—**	78.7
securities	**0.1**	2.2
loans	**—**	52.3
	178.8	327.3

	1991	1990
Accounts receivable		
prepaid costs (partly long-term)	**25.0**	33.5
tax recoverable	**6.8**	6.1
debtors	**10.5**	10.3
other	**28.6**	44.8
	70.9	94.7

	1991	1990
Cash and bank balances		
bank term deposits	**57.0**	122.5
cash	**14.8**	102.5
	71.8	225.0

The average interest rate of the deposits is 9.7% at December 31, 1991 (1990: 7.9%). At December 31, 1991 the Company did not have the full and free disposal of bank term deposits to the amount of Dfl. 20.6 mln (1990: Dfl. 5.8 mln).

	1991	1990
Short-term debt		
redemptions on long-term debt	**10.1**	4.4
dividend	**52.6**	43.8
tax	**16.1**	14.6
fixed-term loans and overdrafts	**5.1**	158.1
creditors and other debts	**78.6**	90.4
	162.5	311.3

At December 31, 1990 short-term debt to the amount of Dfl. 144 mln was secured on property.

	1991	1990
Loans		
balance at January 1	**1,407.6**	1,187.1
add: short-term portion	**4.4**	76.2
	1,412.0	1,263.3
exchange rate difference	**./. 6.9**	9.3
new loans	**488.9**	444.2
redemptions	**./. 393.2**	./. 304.8
balance of principal	**1,500.8**	1,412.0
less: short-term portion	**./. 10.1**	./. 4.4
balance at December 31	**1,490.7**	1,407.6
Redemption scheme:		
1 to 2 years	**347.3**	286.6
2 to 5 years	**525.3**	506.4
5 years or more	**618.1**	614.6
	1,490.7	1,407.6

Dfl. 568.6 mln of the balance of principal of the loans is secured on property (1990: Dfl. 548.5 mln). The balance of principal can be illustrated as follows:

Currency	Distribution percentage at December 31		Average interest rate at December 31	
	1991	1990	**1991**	1990
Dfl.	**37.7**	27.3	**7.3**	6.7
Bfrs	**7.8**	8.4	**8.4**	8.2
Ffrs	**14.8**	18.9	**9.5**	10.3
Ptas	**5.4**	3.4	**13.3**	15.5
D.M.	**6.0**	0.2	**5.8**	8.1
U.K. £	**12.8**	30.6	**10.8**	12.9
U.S. $	**15.5**	11.2	**7.6**	9.0
	100.0	100.0	**8.4**	9.9

Other long-term liabilities

This item consists of tenants' deposits.

Provisions	**1991**	1990
provision for contingent tax liabilities	**42.8**	54.5
provision for extraordinary maintenance	**8.2**	8.3
	51.0	62.8

The provision for contingent tax liabilities represents the discounted value of contingent liabilities to taxation arising from differences between the valuation of the properties in the accounts and the valuation for tax purposes, taking into account fully-allowable tax losses. This provision is of a long-term nature.

Paid-up and called-up share capital

The share capital is as follows:

Type of shares	Nominal value per share (Dfl.)	Authorized (Dfl.)	Issued at December 31 1991 (Dfl.)	1990 (Dfl.)
ordinary shares	20	500,000,000	**229,319,860**	228,156,340
preference shares	20	250,000,000	**30,000,000**	30,000,000
'A' priority shares	20	200	**200**	200
'B' priority shares	20	249,999,800	**—**	—
		1,000,000,000	**259,320,060**	258,156,540
less: uncalled preference capital			**./. 22,500,000**	./. 22,500,000
		1,000,000,000	**236,820,060**	235,656,540

Changes in issued share capital	1991	1990
balance at January 1	**228.2**	223.7
share issues	**1.1**	—
bonus issue of 1989	**—**	4.5
balance at December 31	**229.3**	228.2

At December 31, 1991 there are 11,465,993 ordinary shares, 1,500,000 preference shares and 10 'A' priority shares outstanding. No 'B' priority shares have been issued. For further information concerning the preference shares and the 'B' priority shares the reader is referred to the section 'Other information'.

Share premium

balance at January 1	**1,223.4**	1,227.9
premium on share issues	**6.5**	—
bonus issue of 1989	**—**	./. 4.5
balance at December 31	**1,229.9**	1,223.4

The share premium at December 31, 1991 includes an amount of Dfl. 1,198 mln exempted from tax (1990: Dfl. 1,192 mln).

Revaluation reserve

balance at January 1	**206.2**	298.5
valuation adjustments on investments	**./. 260.0**	./. 89.4
exchange rate differences	**./. 59.2**	3.5
movements in contingent tax liabilities	**12.6**	14.4
other movements	**./. 20.2**	./. 20.8
	./. 120.6	206.2
from general reserve	**120.6**	—
balance at December 31	**—**	206.2

Other movements include a profit of Dfl. 1.1 mln on the exchange of the issued shares of Wereldhave N.V. in shares West World Holding, Inc. by West World Holding N.V..

General reserve

balance at January 1	**239.0**	235.9
added according to proposal for distribution of profits	**0.5**	3.1
to revaluation reserve	**./. 120.6**	—
balance at December 31	**118.9**	239.0

Items not included in the balance sheet

Forward currency transactions

At December 31, 1991 the equity exposure to the U.S. $ was completely hedged.

Liabilities

At December 31, 1991 the group can be held liable for an amount of Dfl. 6 mln (1990: Dfl. 14 mln).

Notes to the consolidated results for 1991

(× Dfl. 1 mln)

Rental income	Gross rental income		Operating costs		Net rental income	
	1991	1990	**1991**	1990	**1991**	1990
Netherlands	**54.1**	53.4	**5.8**	9.1	**48.3**	44.3
Belgium	**23.2**	18.8	**2.4**	3.3	**20.8**	15.5
France	**33.7**	23.4	**1.7**	1.7	**32.0**	21.7
Spain	**1.6**	1.4	**0.3**	0.3	**1.3**	1.1
Germany	**10.2**	8.5	**0.8**	1.0	**9.4**	7.5
United Kingdom	**84.7**	83.9	**11.5**	6.8	**73.2**	77.1
United States	**65.2**	54.4	**36.3**	28.1	**28.9**	26.3
	272.7	243.8	**58.8**	50.3	**213.9**	193.5

Income on other investments	**1991**	1990
differences in valuation of trading property portfolio	**3.8**	13.9
interest income on loans	**5.7**	5.5
interest income and dividends from securities	**—**	0.1
	9.5	19.5

Interest

interest paid	**140.1**	145.5
interest received	**./. 12.2**	./. 33.4
	127.9	112.1
less: capitalized interest costs	**./. 18.3**	./. 14.1
	109.6	98.0

The interest received includes profits in proceeds of share issues.

General costs	1991	1990
personnel	**11.6**	10.6
remuneration of Supervisory Board	**0.3**	0.3
administration fees	**5.2**	4.7
external advisers, auditors and property valuation costs	**3.2**	3.7
other	**7.1**	6.0
	27.4	25.3
less: costs of asset management	**./. 6.9**	./. 6.4
	20.5	18.9

The personnel costs include salaries to the amount of Dfl.7.3 mln (1990: Dfl. 6.7 mln), social and collective securities contributions Dfl. 0.8 mln (1990: Dfl. 0.8 mln), and pension costs Dfl. 0.9 mln (1990: Dfl. 1.1 mln). The remuneration of the Board of Management and former Board Members amounts to Dfl. 1 mln (1990: Dfl. 0.9 mln) including voluntary social and collective security contributions and pension costs. An average of 82 people (1990: 81 people) has been employed by the company during 1991.

Consolidated source and application of funds

(× Dfl. 1 mln)

	1991	1990
Source of funds		
direct investment result	**92.8**	95.1
capitalized interest costs	**./. 18.3**	./. 14.1
	74.5	81.0
sales/disposal of investments	**135.8**	168.6
new loans*	**488.9**	444.2
movements in other long-term liabilities	**1.2**	2.5
movements in provisions	**0.8**	9.3
share issues	**7.6**	–
	708.8	705.6
Application of funds		
purchases/investments in properties	**176.8**	370.5
redemptions on loans	**398.9**	233.0
dividend	**92.3**	92.0
exchange rate differences	**48.8**	21.2
other movements in revaluation reserve	**20.2**	20.8
	737.0	737.5
Decrease in working capital	**./. 28.2**	./. 31.9

Company balance sheet at December 31, 1991

after proposed distribution of profits *(× Dfl. 1 mln)*

	1991		1990	
Investments				
investment properties	**548.6**		497.5	
investments in group companies	**1,237.9**		1,433.6	
other investments	**459.4**		569.1	
		2,245.9		2,500.2
Working capital				
accounts receivable	**120.7**		109.7	
cash and bank accounts	**142.7**		199.4	
short-term debt	**./. 149.6**		./. 299.6	
		113.8		9.5
		2,359.7		2,509.7
Long-term debt				
loans		**./. 767.5**		./. 598.4
Provisions		**./. 6.6**		./. 7.0
Shareholders' equity		**1,585.6**		1,904.3

	1991	1990
Composition of shareholders' equity		
paid-up and called-up share capital	**236.8**	235.7
share premium	**1,229.9**	1,223.4
revaluation reserve	**—**	206.2
general reserve	**118.9**	239.0
	1,585.6	1,904.3

Company profit and loss account for 1991

(× Dfl. 1 mln)

	1991	1990
direct investment result	**70.0**	103.9
results of investments in group companies	**22.8**	./. 8.8
Operating result	**92.8**	95.1

Notes to the company balance sheet at December 31, 1991 and profit and loss account for 1991

(× Dfl. 1 mln)

General

The basis for the valuation of balance sheet assets and liabilities is identical to the one used for the consolidated balance sheet. The basis for determining the results is identical to that used in the consolidated results. See further the notes to these accounts. The Company has made use of the exemption referred to in Article 402, book 2.9 of the Civil Code.

Investments in group companies

Movements one as follows:	**1991**	1990
Balance at January 1	**1,433.6**	1,215.5
Investments during the year	**100.0**	316.3
Sales/disposals	**./. 59.8**	–
	1,473.8	1,531.8
Results	**22.8**	./. 8.8
Valuation adjustments	**./. 216.9**	./. 80.6
Profit distributions	**./. 41.8**	./. 8.8
Balance at December 31	**1,237.9**	1,433.6

Investments in group companies have been valued at net asset value. A list of companies as referred to in Articles 379 and 414, book 2.9 of the Civil Code, has been deposited with the Chamber of Commerce in The Hague.

Inter-company relations

On account of inter-company relations Dfl. 455.7 mln (1990: Dfl. 553.8 mln) is included among other investments, Dfl. 56.7 mln (1990: Dfl. 50.9 mln) among accounts receivable, Dfl. 59.5 mln (1990: Dfl. 68.4 mln) among short-term debt and Dfl. 272.9 mln (1990: Dfl. 230.3 mln) among long-term debt. The direct investment result includes the sum of Dfl. 50.6 mln for the excess of interest income over interest charges on inter-company loans (1990: Dfl.73.7 mln).

Shareholders' equity

The magnitude and composition of the shareholders' equity are identical to those shown in the consolidated balance sheet to the notes to which the reader is referred for further information. The legal revaluation reserve of the company amounts to nil (1990: Dfl. 197.5 mln).

Items not included in the balance sheet

Guarantees

The company has given guarantees on behalf of group companies to third parties for an amount totalling Dfl. 471 mln (1990: Dfl. 426 mln).

Supervisory Board

J.F. Visser
F.H.J. Boons
J.M.G. Hoes
J.C. van Spronsen
P.J. Vinken

Board of Management

M.T. Kooistra
G.C.J. Verweij

The Hague, February 26, 1992

Other information

Distribution of profits

Rules for the distribution of profits are set out in Article 25 of the Company's Articles of Association. The preference shareholders have a first call on profits in the form of a dividend distribution on the paid-up nominal share value at a percentage rate equal to the official discount rate on promissory notes at the beginning of the year over which the distribution is made plus a surcharge of $1^1/_2$%. Holders of 'B' priority shares have a second call on profits in the form of a dividend distribution on the paid-up nominal share value at a percentage rate equal to the average rate charged during the year over which the distribution is made for borrowing on the security of quoted shares and bonds, as fixed and published by the Vereniging voor de Effectenhandel ('Association of Members of the Amsterdam Stock Exchange'), plus a surcharge of $1^1/_2$%. Holders of 'A' priority shares are entitled to a dividend distribution at a 5% rate on the paid-up nominal share value from the remainder. Distribution of the balance then outstanding is determined by the Annual General Meeting of Shareholders.

The following distribution of profits is proposed:

	1991	1990
Operating result	**92.8**	95.1
Preference dividend	**0.8**	0.7
Ordinary dividend	**91.5**	91.3
Addition to general reserve	**0.5**	3.1
	92.8	95.1

Preference and priority shares

The 'A' priority shares are held by the 'Stichting tot het houden van prioriteitsaandelen van de naamloze vennootschap: 'Wereldhave N.V.' ('Foundation for the holding of priority shares of Wereldhave N.V.'). The Supervisory and Management Boards of Wereldhave N.V. manage this foundation. The most important rights of the holders of 'A' and 'B' priority shares involve fixing the number of members of the Management and Supervisory Boards of the Company and the placing of a binding nomination list for their appointment. There are no 'B' priority shares issued.

1,350,000 of the preference shares are held by the 'Stichting tot het houden van preferente en prioriteitsaandelen B Wereldhave' ('Foundation for the holding of preference shares and B priority shares Wereldhave'). The management of the Foundation consists of Messrs H. Zomerplaag (Chairman), A.W.J. Caron and H.M.N. Schonis. In addition to voting rights, the preference shares carry a preferential right to a dividend out of the profits. They have no entitlement to the Company's reserves. The purpose of the Foundation is, as set out in Article 2 section 1 of its Articles of Association, to ensure the independence and the continuity and to preserve the identity of the legal entity Wereldhave N.V., registered in The Hague, and the Company which it embodies in such a way that the interests of Wereldhave as legal entity and business concern be protected as well as possible and that any threats to the independence, continuity or identity of the Company as a legal entity and business concern as far as possible be averted.

Auditors' report

We have audited the financial statements of Wereldhave N.V., The Hague, for the year 1991 as presented in this report. We have conducted our audit in accordance with auditing standards generally accepted in the Netherlands.

In our opinion these financial statements give a true and fair view of the Company's financial position at December 31, 1991 and of the result for the year then ended and also comply with the other Dutch legal requirements for financial statements.

The Hague, February 26, 1992

COOPERS & LYBRAND DIJKER VAN DIEN

Shops in Wereldhave's Belgian portfolio:
Garden Stores, Luik (above);
Shopping Centre, Nivelles (centre);
Shopping Centre, 'Le Bastion', Kortrijk (below).

Investment properties at December 31, 1991

(Properties with an open market value of more than Dfl. 10 mln)

Location	Type	m²	Parking spaces	Year of construction or renovation	Gross aanual rent 1992 (× Dfl.1 mln)
Belgium					
Brussels					
Boulevard Bischoffsheim 1-8	office	12,800	89	1988	4.6
Boulevard Bischoffsheim 22-25	office	6,000	60	1990	2.5
Koningsstraat 139-141	office	5,000	48	1976	1.7
Kunstlaan 41	office	3,500	50	1990	1.4
Muntplein/Schildknaapstraat 22	office	7,700	35	1987	2.0
Regentlaan 58	office	3,100	36	1975	1.3
Wetstraat 84-86	office	13,700	186	1974	6.5
Nijvel					
Steenweg op Bergen 10	shopping centre	14,900	800	1986	1.8
Doornik					
Boulevard Walter de Marvis 22	shopping centre	4,500		1979	1.1
Germany					
Dusseldorf					
Heinrichstrasse 169/Franziskusstrasse	office	10,900	141	1980	3.0
Mörsenbroicherweg 200	office	10,200	178	1988	3.1
Steinstrasse 27	office and shops	3,200	10	1988	1.3
Frankfurt					
Schwindstrasse 3	office	3,800	21	1985	1.8
Taunusanlage 21	office and shops	4,500	4	1990	2.3
France					
Paris and environs					
145-149 Rue de Courcelles	office	4,500	24	1987	2.9
29-30 Quai de Dion Bouton; Puteaux	office	18,100	411	1987	7.1
56 Rue du Faubourg Saint Honoré/ 4-14 Rue d'Aguesseau	office	12,800	100	1986	11.6
Shopping centre Parinor, Le Haut de Galy; Aulnay-sous-Bois	shopping centre	32,200		1974	12.4
The Netherlands					
Amstelveen					
Shopping centre Binnenhof, Binnenhof 10	shopping centre and office	19,700		1988	3.9
Amsterdam					
Boelelaan 403-1051 (perpetual leasehold)	appartments and office	26,700	37	1982	3.2
Arnhem					
Shopping centre Kronenburg, Kronenburg Passage 1-13 (leasehold till 2110)	shopping centre and office	30,200	1.000	1985	9.4
Best					
Brem 4	other commercial space	11,300	690	1971	1.4
Doorn					
Park Boswijk, Boswijklaan	appartments	33,300		1974	4.0
Dordrecht					
Spuiboulevard 334, 350 (leasehold till 2097)	office	12,500	70	1981	2.5
Etten-Leur					
Shopping centre Etten-Leur, Winkelcentrum 1-72	shopping centre	14,500		1980	2.7
Geldrop					
De Heuvel 62-87	shops with appartments	5,700		1973	1.1
The Hague and environs					
Carnegielaan 10-14	office	4,100	68	1988	1.1
Sir Winston Churchilllaan 366-370; Rijswijk	office	50,000	656	1986	11.1
Koningin Julianaplein 1-8	office	11,600	78	1976	2.6
Nieuwe Havenstraat 2-6; Voorburg	office	19,000	368	1988	3.3
Veraartlaan 12; Rijswijk	office	5,600	87	1991	1.4
Zuid-Hollandlaan 7	office	9,500	78	1989	3.3
Nuth					
Thermiekstraat 15	other commercial space	17,000	690	1987	2.0

Location	Type	m²	Parking spaces	Year of construction or renovation	Gross annual rent 1992 (×Dfl.1 mln)
Spain					
Madrid					
2 Plaza de la Lealtad	office	3,000		1972	2.0
United Kingdom					
Caerphilly					
Hypermarket, Pontygwindy Road	office	10,900	1.000	1984	1.2
Gravesend					
Anglesea Centre	shopping centre	8,900	350	1988	3.1
Guildford					
73/75 North Street	office	1,400		1976	1.1
London and environs					
126/134 Baker Street, W1	shops	1,700		1935	1.1
76 Cannon Street, EC4 (leasehold till 2138)	office	800		1988	1.7
The Carnaby Estate, W1	shops and office	27,300	2	divers	23.0
326/334 Chiswick High Road, W4	shops	2,300	6	1974	1.1
Royalty House, 72/74 Dean Street and 8 Richmond Mews, W1	office	2,600	12	1950	1.9
14-18 Eastcheap, EC3 (leasehold till 2128)	office	5,200		1991	4.2
186/188, 188a and 196a, 192, 196/200 Fulham Road, SW10	shops	900	7	1979	1.0
11/12 Haymarket, SW1	office	1,100		1988	1.7
65 Kingsway, NC2	office	6,000		1986	5.7
1,3,5 Lower George Street and 1 Eton Street, Richmond-upon-Thames	shops	2,900	10	1963	1.3
56/70 Putney High Street, SW15	shops	4,200	44	1971	1.5
10, 11 & 12 Thames Street and 1, 2 & 5 Curfew Yard, Windsor	office	1,500	53	1972	1.3
Redhill					
Grosvenor House, 65/71 London Road	office	4,700	150	1986	3.5
Sittingborne					
Trinity Estate	other commercial space	36,500	200	1982	4.8
Whyteleafe					
439/445 Godstone Road	office	7,300	270	1964	2.1
United States					
Dallas					
1910 Pacific Place	office	29,700	14	1982	7.2
Philadelphia					
1515 Market Street	office and shops	46,900		1986	23.2
New York					
20 Exchange Place	office	60,400		1985	27.2
83 Maiden Lane	office and shops	12,700		1985	6.7
Washington D.C.					
1401 New York Avenue	office	17,800	165	1984	11.5

All properties are freehold unless otherwise stated. For properties which are not 100%-owned, the gross rent shown is on pro-rata base. The gross annual rent is calculated on the assumption that the buildings are fully let. The surface areas and number of parking spaces relate to the total figures. At December 31, 1991 66,183 m² of floor space, representing 7.7% of the floor space of the Group's investment properties, were unlet.

Independent valuers

Jorrit de Jong B.V., Amsterdam
Vellinga Makelaardij B.V., Doorn
Bourdais Expertises S.A., Paris
N.V. Fibelaf S.A., Brussels
Jones Lang Wootton, London
Nieboer & Van Kuijen, The Hague
Zadelhoff Makelaars, The Hague
Müller Management GmbH, Dusseldorf
Healey & Baker v.o.f., Brussels
Hillier Parker, London
Nienhuis Luiten, Eindhoven
Healey & Baker, Amsterdam
James G. Peel Associates Inc., New York
Healey & Baker, London
Richard Ellis, S.A., Madrid

Summary of investment properties

The following is a summary of the open market value of the Group's investment properties at December 31, 1991. In accordance with Group accounting practice valuations in currencies other than Dutch guilders have been converted at rates of exchange ruling at December 31, 1991. The gross annual rent is calculated on the assumption that the buildings are fully let.

(× Dfl. 1 mln)	Offices		Shops		Other Properties		Total	
	open market value	gross annual rent	open market value	gross annual rent	open market value	gross annual rent	open market value	gross annual rent
Belgium	281.2	20.3	53.9	5.1	18.7	1.6	353.8	27.0
Germany	204.2	10.9	14.6	0.6	—	—	218.8	11.5
France	370.1	21.6	145.1	12.4	—	—	515.2	34.0
Netherlands	290.0	31.4	201.8	16.7	82.6	9.7	574.4	57.8
Spain	27.6	2.0	—	—	—	—	27.6	2.0
United Kingdom	373.9	37.9	394.6	40.0	94.3	9.7	862.8	87.6
United States	412.5	73.6	12.6	2.2	—	—	425.1	75.8
Total	1,959.5	197.7	822.6	77.0	195.6	21.0	2,977.7	295.7

General lease conditions

The following is a summary of typical provisions relating to leases on Wereldhave's investment properties in the respective countries. In all cases the rents exclude service charges except for the United States.

Belgium
a. Term: 3, 6 or 9 years with a mutial option at the end of a term to extend or renegotiate.
b. Rent increases: annual increases based on increases in the cost of living index.
c. Outgoings: structural maintenance only is for the landlord's account.

Germany
a. Term: 5 years with the tenant having an option for a further 5 years.
b. Rent increases: occur as soon as the cost of living index increases by 10 points after which negotiations take place for a new market rent.
c. Outgoings: structural maintenance, insurance, management and local taxes are for the landlord's account.

France
a. Term: 3, 6 and 9 years with the tenant having the option each three years to extend the lease.
b. Rent increases: annuel increases based on building cost increases (INSEE-index) unless otherwise agreed.
c. Outgoings: structural maintenance only is for the landlord's account.

Netherlands
a. Term: 5 years with an option for the tenant to extend a further 5 years.
b. Rent increases: annual increases based on the cost of living index (consumer price index).
c. Outgoings: structural maintenance, insurance management and a part of local taxes are for the landlord's account.

Spain
a. Term: 5 years.
b. Rent increases: annual increases based on the cost of living index (consumer price index).
c. Outgoings: structural maintenance, insurance, management and a part of local taxes are for the landlords' account.

United Kingdom
a. Term: 25 years.
b. Rent adjustments to market levels every five years, in general not below the previous rent level.
c. Outgoings: insurance of structure of building only is for the landlord's account.

United States
a. Term: 5 or 10 years usual.
b. Rent increases: unusual during the term.
c. Outgoings: structural maintenance only is for the landlord's account, although escalation clauses exits for increases in property taxes, electricity and wages.

Development properties

(Projects with a value above Dfl. 10 mln)

Spain

Barcelona

4 Rambla de Cataluña	Construction of an office building and shops with 5,200 m² floor space and 36 parking spaces. Freehold.
124 Rambla de Cataluña	Reconstruction of an office building and shops with 3,000 m² floor space and 20 parking spaces. Freehold.

Madrid

15 Calle Fernando El Santo	Reconstruction of an office building with 3,000 m² floor space and 37 parking spaces. Freehold.

United Kingdom

London

W.T.N. House, 31/36 Foley-street (W1)	Reconstruction of an office building with 3,300 m² floor space and 17 parking spaces. Freehold.

Rickmansworth

Unit 1, Olds Approach, Tolpits Lane	Development of commercial property with an office with 7,800 m² floor space. Leasehold.

Wereldhave in brief

General background
- Wereldhave is an independent property investment company, founded in 1930.
- Wereldhave offers both individual and institutional investors the possibility of investing in property through the purchase of shares.
- Wereldhave aims to offer its shareholders dividend income and capital appreciation.
- Wereldhave's shares are traded on the Stock Exchanges in Amsterdam, London, Brussels and Antwerp.
- Wereldhave has the status of an Investment Institution under Dutch law and so qualifies for zero rate of Corporation Tax in the Netherlands.
- Wereldhave is licensed to carry out its activities as an investment company under the Investment Funds Supervision Act.

Investment policy
- Wereldhave's investments are spread over Belgium, Germany, France, Hungary, the Netherlands, Spain, the United Kingdom and the United States.
- Wereldhave invests in high-quality shopping centres, offices and other commercial properties.
- Wereldhave conducts an active investment policy directed towards capital and rental growth.

Management
- Wereldhave has all the disciplines required to purchase and manage property including financing, letting, maintenance and market research.
- Wereldhave's property management aims at the efficient provision of supportive services to tenants.
- Wereldhave manages its properties from its local offices in Brussels, The Hague, Dusseldorf, London, Madrid, New York and Paris.

Financing
- Wereldhave's operation is financed by both equity and loan capital.
- Wereldhave reduces currency risks through selective currency management and the partial financing of foreign investments in local currency.

Results
- Wereldhave's record is shown by the development of the stock market quotation for its shares and in its yearly dividend payments.
- Wereldhave strives to achieve a total result which, averaged over a longer period, is superior to the average interest rate in the capital market over the same period.

Annual calender
- Wereldhave publishes its annual report in March and interim figures during the year.
- Further information on investing in Wereldhave is available directly from the company (tel. 31-70-346 93 25) or from banks and stockbrokers.

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