ANNUAL REPORT

'92

WERELDHAVE N.V.

Contents

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, 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 the activities of 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 for market research, financing, letting, maintaining and the purchasing and selling of property.
- Wereldhave's property management aims to give efficient and supportive services to tenants.
- Wereldhave manages its properties from its local offices in Brussels, Dusseldorf, Paris, The Hague, Madrid, London and New York.

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 number of years, is superior to the average rate of interest in the capital market over the same period.

Financial calendar
– Annual General Meeting	: March 24, 1993
– Payment date in respect of dividend over 1992	: April 2, 1993
– Publication of half-year report 1993	: August 25, 1993
– Publication of nine-months report 1993	: November 24, 1993
– Publication of 1993 Annual Report and Accounts	: March 1994

Information
- Further information on Wereldhave is available from banks and stockbrokers or directly from the company (tel. 31-70-346 93 25).

Annual Report and Accounts 1992

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

Supervisory Board

J.F. Visser (Chairman)
P.J. Vinken (Vice-chairman)
F.H.J. Boons
J.M.G. Hoes
W. Lemstra

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, 1992. We propose the approval of the Accounts and, in accordance with the proposal of the Board of Management, a dividend of either

a NLG 7.25 in cash

or – at the choice of the shareholder –

b a distribution in the form of bonus shares to be charged to the share premium reserve, the distribution ratio to be announced on March 19, 1993

Mr. J.C. van Spronsen who died on August 23, 1992, has been a member of our Supervisory Board for three years. We are grateful to him not only for his expert advice but also for the dedication and loyalty which he showed to the Company.

In accordance with Article 14 sub 1 of the Articles of Association the Priority Shareholders have fixed the number of members on the Supervisory Board at five. At the Annual General Meeting of Shareholders on March 24, 1993, Messrs J.F. Visser and P.J. Vinken will retire by rotation and, being eligible, offer themselves for re-election.

Supervisory Board

J.F. Visser, Chairman

The Hague, February 26, 1993

This is the English translation of the official Dutch Annual Report and Accounts 1992.

Summary of past five years

	1988	1989	1990	1991	1992
Results (× NLG 1 mln)					
Net rental income	117.9	171.7	193.5	211.4	207.0
Direct investment result	79.0	109.3	95.1	92.8	85,2
Indirect investment result	24.1	57.6	./. 92.3	./. 326.8	./. 324.6
Total investment result	103.1	166.9	2.8	./. 234.0	./. 239.4
Balance sheet (× NLG 1 mln)					
Investments	2,926.0	3,213.9	3,374.5	3,156.5	2,692.8
Shareholders' equity	1,645.8	1,993.5	1,904.3	1,585.6	1,262.3
Long-term debt	1,245.8	1,192.8	1,415.8	1,500.1	1,348.8
Issued ordinary shares of NLG 20 nominal value at December 31 (in numbers)	9,635,886	11,184,134	11,407,817	11,465,993	11,465,993
Statistics per ordinary share of NLG 20 (× NLG 1)[1]					
Net asset value	163.43	174.09	166.27	137.63	109.44[2]
Direct investment result	9.53	9.64	8.27	8.05	7.36
Indirect investment result (incl. other)	11.49	8.86	./. 8.09	./. 28.69	./. 28.30
Total result	21.02	18.50	0.18	./. 20.64	./. 20.94
Dividend	7.58 +2%	7.84 +2%	8.00	8.00	7.25 or ... %[3]

[1] The amounts per share have been adjusted for the 1989 and 1988 bonus issue of 2%.

[2] Assuming all holders of ordinary shares opt for the cash dividend rather than the bonus issue.

[3] To be announced on March 19, 1993.

Report of the Board of Management

Partly as a result of disappointing economic developments, 1992 was not a good year for the property sector. This left its mark on Wereldhave's performance although there were clear differences between countries and the types of property. Wereldhave fared well with its retail investments as well as with the letting of office buildings in Belgium, Germany, France, Hungary and the Netherlands. The recession in the office markets of the United Kingdom and the United States is thus the principal reason for the drop in the direct investment result from NLG 92.8 mln in 1991 (equivalent to NLG 8.05 per share) to NLG 85.2 mln (NLG 7.36 per share) in 1992.

At the Annual General Meeting of Shareholders the distribution of a cash dividend of NLG 7.25 with the alternative of an issue of tax free bonus shares, which will be charged to the share premium reserve, will be proposed.

We were successful in achieving our objective to dispose of investments in 1992 and were able, despite weak investor demand, to sell properties in the Netherlands, the United Kingdom and France to a total value of NLG 193 mln. In each country the proceeds from sales exceeded the book value at the end of 1991. The bulk of the sums raised was set aside for the repayment of loans. In line with market conditions the valuation of the investment portfolio fell by 7.5% during the year under review. The result of this downward revaluation, the disposal of assets and the effect of the depreciation of Sterling together with other currency movements, was that the value of our investments fell from NLG 3.2 bln to NLG 2.7 bln. At the end of 1992, the net asset value per share amounted to NLG 109.44 after deduction of the maximum cash dividend (1991: NLG 137.63 on an ex-dividend basis). No account has been taken to the extent to which shareholders will opt for the dividend in shares.

Equity and debt financing

Despite the fall in value of our investments and unfavourable currency movements, our financial ratios underwent practically no change during 1992. No new shares were issued. The proceeds from asset disposals were set aside in the first instance to repay loans, with the remainder being used for investment in the portfolio. At the end of the year shareholders' equity of NLG 1,262 mln represented 48% of the balance sheet.

Whenever Wereldhave needs to finance its debt there is a strong preference for fixed-rate long-term loans. In recent years debt financing also took place on a floating rate basis. Such loans amount at present to approx. 40% of debt financing. It is proposed to consolidate part of these loans on a fixed rate basis in the near future.

In April 1992, Wereldhave issued a medium-term debenture of LUF 750 mln to fund its Belgian investments. In August the final portion of the USD denominated floating-rate debt was converted to a fixed-rate basis. In the course of the year a number of loans were arranged which, together with the proceeds from disinvestment, cover most of our 1993 funding requirements.

We have loans in seven different currencies. Wereldhave was able to profit to a certain extent from the worldwide fall in interest rates in 1992. The average weighted interest rate fell slightly to 8.2% at the end of 1992; this fall boosts the Company's direct investment result.

Currencies

We have not entered into any hedging arrangements during 1992. The effect of the modest improvement in the value of the USD has been outweighed, in Wereldhave's case, by the unexpected withdrawal of Sterling from the EMS mechanism. In addition the Spanish Peseta was devalued twice. Wereldhave's exposure to Sterling constitutes by far the most important source of its currency losses; the negative effect of Sterling on assets amounted to approx. NLG 96 mln. Our existing financing arrangements in Sterling had a tempering effect.

Entrance Hall, 1515 Market Street, Philadelphia, U.S.A.

Dividend policy

Wereldhave pursues a dividend policy which allows shareholders to participate in its investment results. For commercial purposes a profit of NLG 85.2 mln was recorded for 1992. Investment companies such as Wereldhave are obliged to distribute their entire profits as calculated for tax purposes. As a result of the depreciation of investments and currency losses there is no fiscal obligation to pay a dividend in respect of 1992. This allows us to propose an optional dividend to shareholders instead of a cash dividend. Shareholders who so wish may choose to receive their dividend tax-free in the form of bonus shares charged to the share premium reserve. Alternatively, those who prefer may choose a cash dividend of NLG 7.25 per share rather than the bonus share issue. The Board of Management is of the opinion that the choice of bonus shares is not only attractive to shareholders but is also justified by the direct investment result expected for 1993. In addition we see possibilities of a further rise in profitability by further investment in shopping centres. The distribution ratio for the bonus shares will be announced on March 19, 1993.

Share price performance

In October, Wereldhave shares hit their lowest point of the year at NLG 70. The price recovered to NLG 78.50 at the end of December. At that date the share price was thirty three per cent lower than the net asset value before the distribution of dividend on the ordinary shares. At these levels, Wereldhave's shares provide an attractive dividend yield, certainly against the background of current interest rate levels.

Wereldhave's ordinary shares are now listed on the Amsterdam, Brussels and Antwerp stock exchanges. In view of their very modest turnover on the London Stock Exchange in recent years, Wereldhave's listing was withdrawn there on January 1, 1993.

The importance of market-consistent valuations

The total performance of an investment in property over any given period is made up of net rental income and movements in property values. Whereas the determination of net rental income is in principle relatively simple, this is not the case with the valuation of investments. Valuation is a very topical subject at the moment. Even after the sometimes drastic downward revisions to property values which have taken place in recent years, uncertainty has arisen as to the attractiveness of property investments at current initial yields. This is one of the causes of the wide disparity between buyers' and sellers' views on property values which have resulted in an extremely low volume of transactions. Consequently, investors have begun to question property valuation methods and indeed property valuations themselves. The increased interest in valuation methodology is thus completely understandable. This is the background against which Wereldhave and two other property investment companies commissioned the Stichting voor Beleggings- en Vastgoedkunde (Foundation for Investment and Property Studies) to investigate the appraisal and valuation practices of quoted Dutch property investment companies. The results of the investigation have now been published and show

Wereldhave's high class warehouse units with ancillary offices (7,800 m^2) at Rickmansworth, U.K.

Wereldhave's practices to be in accordance with the recommendations of the SBV.

Open market value

Wereldhave attaches great importance to valuing its properties as realistically as possible. This is seen as an obligation to shareholders, other providers of funds and interested parties in general. It is also a pre-condition for an active investment policy. Only if valuations are in line with market conceptions can properties be sold under adverse market conditions without our immediately being faced with book losses. Another consideration is the need for investors to be able to compare property with alternative investment vehicles, such as shares and bonds, which are generally valued at market prices. This is why Wereldhave values its investment properties at open market value minus selling costs. Selling costs in this context include transfer costs. Open market value is the best price which a seller could reasonably expect to receive for the property at the valuation date assuming that normal sales procedures are followed. To ensure objectivity Wereldhave has each property valued once a year by a firm of external independent (sworn) valuers. One half of the portfolio is valued externally at the end of June and one half at the end of December, with the properties selected for valuation constituting a representative cross section of the portfolio in terms of user category and geographical distribution. We simultaneously make an internal valuation of the complete portfolio ourselves. The internal valuation is used in the Group's total valuation for that part of the portfolio which was not valued by the independent valuers on that date. The external valuations regularly provide information against which the internal valuations can be tested.

The simultaneous external and internal valuation of the portfolio and the desirability of understanding how external valuations have been reached has led Wereldhave to apply a fixed valuation methodology which is provided as a guideline to the independent valuers. This method basically involves multiplying the net market rent by a capitalization factor. In practice the net market rent after normal operating costs is capitalized, on a property by property basis, with a factor reflecting the required investment yield for each property in its respective market. The resultant figure is, after deduction of selling costs, adjusted for the present value of:

a the difference between market rent and the rent determined by the lease;
b the expected loss of rental income as a result of vacancies;
c any investment which needs to be made to enable the property to be let at the market rent when the lease expires.

This is the method normally used throughout Europe, and is undertaken in the United Kingdom in accordance with the guidelines laid down by The Royal Institution of Chartered Surveyors, London.

Investment value

In the United States valuers also investigate the 'investment value' of properties which represents the net present value of future net cash flow. This method, which is also applied by some institutional investors in Europe, involves discounting expected income streams over the longer term, necessitating the making of assumptions as to future rents, vacancy rates and the value of the property at the end of the calculation period. Such calculations are thus problematic in general and to the sales proceeds at some date in the future. In determining investment value, however, hardly any attention is paid to current market conditions which would influence the price for which a property could currently be sold. These do have a role to play in the open market value methodology: the capitalization factor applied, if chosen correctly, is based on comparable transactions recently carried out under similar market conditions. Unfavourable market conditions frequently result in a wide divergence

Wereldhave's mixed development of offices and shops ($4{,}400\ m^2$) at 4, Rambla de Cataluña, in the centre of Barcelona – part of the building has been pre-let.

between investment value and open market value, whereby the latter more closely approximates to the net proceeds which might be realized on a sale at the valuation date. Wereldhave prefers the open market valuation method despite the occasional difficulties in the calculation when the number of comparable transactions is small. This is in accordance with the SBV study which concluded "theoretical considerations and, in addition, investors' need to make practical comparisons, demand that property be valued at open market value, under which is to be understood the direct sales proceeds excluding acquisition costs and after deduction of sales expenses which have yet to be incurred". Wereldhave consequently instructs independent external valuers to consider open market value in the United States also.

Development properties

Wereldhave values development properties in principle on the basis of costs incurred plus committed expenditures, including financing costs, based on local money market rates, plus land, building, letting and marketing costs. Should the estimated market value of a property under development be lower than the cost as defined above, Wereldhave values the project at this lower market value. Development properties are transferred to the investment portfolio if seventy-five per cent has been let and in all cases no later than one year after completion. Such a rule limits the capitalization of costs. It also provides a clearer perspective on vacancies since vacancies are only registered for investment properties. This explains why stringent criteria apply for transferring investment properties to the development portfolio. Wereldhave's development portfolio is of modest size (6% of investments at the end of 1992).

Open market value and sales of property

Wereldhave's market consistent valuations and ability to dispose of investments is evidenced by the sizable volume of sales in recent years, some carried out under difficult market conditions. If we ignore currency movements, in the vast majority of cases the sales proceeds on investment properties were in excess of the book value as determined by the most recent valuation.

Sales proceeds and sales profit
1987-1992
(investment and trading properties)

Net proceeds

(x NLG 1 mln)

	Netherlands	Belgium	France	United Kingdom	United States	Total
1987	5.3	9.2	59.9	28.4	–	102.8
1988	25.0	13.7	–	32.6	–	71.3
1989	97.2	26.7	–	199.7	18.9	342.5
1990	63.9	–	–	73.1	–	137.0
1991	16.2	–	–	107.9	–	124.1
1992	50.5	–	117.4	25.1	–	193.0
	258.1	49.6	177.3	466.8	18.9	970.7

Net proceeds
as a % of book value

	Nether-lands	Belgium	France	United Kingdom	United States	Total
1987	98	118	100	104	–	102
1988	117	114	–	123	–	119
1989	93	151	–	141	104	122
1990	105	–	–	118	–	111
1991	116	–	–	98	–	100
1992	112	–	102	102	–	104
	103	132	101	119	104	111

Over the last six years Wereldhave has on average sold approx. 7% of its portfolio.

Another indication of how our investment properties were valued is provided by the gross rental yield of our office investments at the end of 1992. Wereldhave's office investments are in general in prime locations, are well maintained and have been thoroughly refurbished whenever this has proved necessary.

Gross rental yield on Wereldhave's office portfolio compared with gross market yields provided by Jones Lang Wootton

at end of 1992, assuming full occupancy

	Wereldhave %	Jones Lang Wootton %
The Netherlands	11	7 – 7.5
Belgium	7.5	6.75 – 7.5
Germany	5,7	5 – 5.25
France	7	6 – 6.5
Spain (Madrid)	9	6.75 – 7.5
United Kingdom	12.6	6.5 – 7
United States	12	not available

The retail portfolio carried a gross rental yield of 9.5% at the end of 1992 which can be considered to be high.

The foregoing confirms that Wereldhave aims to have clear-cut valuation principles. We believe it is not sufficient to describe just the principles involved in valuation; the method of valuation and its frequency should also be indicated. The same applies for the correct application of this method and the use of up-to-date valuations.

Economic and financial developments

The international economy was disappointing in 1992. The pace of recovery in the United States was below expectations and the United Kingdom remained in recession. Growth in Japan slowed appreciably and Germany, Europe's economic powerhouse, encountered difficulties. Growth also slowed in other European countries. All over the world unemployment showed a rising tendency.

Helped by a hesitant economy there was an almost universal fall in inflation rates. The drop was particularly pronounced in the United Kingdom. German inflation, however, remained relatively high as a result of higher Government imposed burdens and sharply increased costs in the services sector. In many industrial countries the weakening of inflation has led to lower – in some cases substantially lower – long-term interest rates. Money market rates reflect economic and currency trends. Short-term rates in the United States were lowered, reaching approx. 3% in September, to provide an extra stimulus to the economy. The negative interest rate gap with Germany, which maintained its restrictive monetary stance, widened markedly; this fuelled a weakness in the USD and instability in the EMS. Uncertainty over European economic and monetary unification, a hike in Germany's discount rate and economic difficulties in a number of countries, including the United Kingdom, led to a currency crisis on September 16 1992. The United Kingdom and Italy suspended their membership of the EMS and Sterling and the Italian Lira plummeted. The Spanish Peseta was also devalued. Interest rate cuts in Germany, the Netherlands and Belgium plus an earlier devaluation of the Lira had proved incapable of holding the system together. British interest rates were reduced sharply. Dutch and Belgian money-market rates were also lowered. After mid-November severe tensions arose once more in the EMS, resulting in a second devaluation of the Spanish Peseta. European interest rate cuts, President Clinton's electoral victory and economic recovery in the United States helped to reverse the USD's decline towards the end of the year and to strengthen further early in 1993.

Investments

General

The distribution of investment properties and the geographical distribution of investment in the period 1988-1992 were as follows:

	1988	1989	1990	1991	1992
Distribution of investment properties (in %)					
Offices	68	71	66	66	65
Shops	25	23	27	28	29
Other commercial	7	6	7	6	6
Geographical distribution of investments (in %)					
Belgium	7	8	10	11	13
Germany	4	4	5	7	8
France	10	11	16	16	15
Hungary	–	–	–	< 1	< 1
The Netherlands	22	19	18	18	20
Spain	1	2	4	5	5
United Kingdom	45	43	35	29	23
United States	11	13	12	13	15

Wereldhave successfully implemented its property disposal programme for 1992. Properties were sold in the Netherlands, France and the United Kingdom for the total sum of NLG 193 mln. The proceeds in each of these countries exceeded the book value at December 31, 1991. In the Netherlands we sold a mixed complex of leasehold housing and offices in Amsterdam-Buitenveldert and a leasehold office building in Dordrecht. Seven properties were sold in the United Kingdom. The sale of a fifty per cent interest in our offices on the Rue du Faubourg St. Honoré must be considered as one of the major transactions on the Paris property market during 1992. NLG 51.5 mln was invested in improving and developing properties in the portfolio. A modest NLG 6.4 mln was spent in acquiring properties.

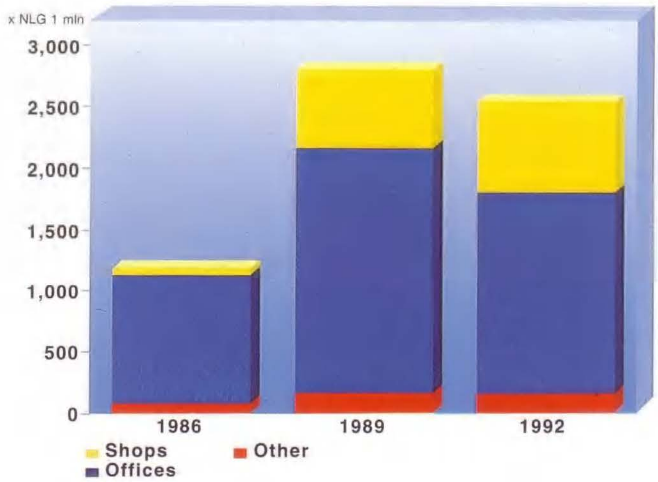
Investors took a very cautious stance towards purchasing commercial property in 1992 and by comparison to earlier years relatively few purchases were made on the main property investment markets. In line with the markets Wereldhave wrote down the value of its investments by 7.5% in 1992. The bulk of these were in the United Kingdom, United States and Spain. Changes in the composition of the portfolio resulted in 65% of investment properties being offices at the end of the year with a slight increase in shops and shopping centres which represented 29%. As far as the geographical distribution is concerned the United Kingdom share fell from 29%, at the end of 1991, to 23% at the end of 1992. The Netherlands increased from 18% to 20%, Belgium from 11% to 13% and the United States from 13% to 15%. At the end of 1992 investment properties were valued at NLG 2.5 bln (1991: NLG 3 bln).

Belgium

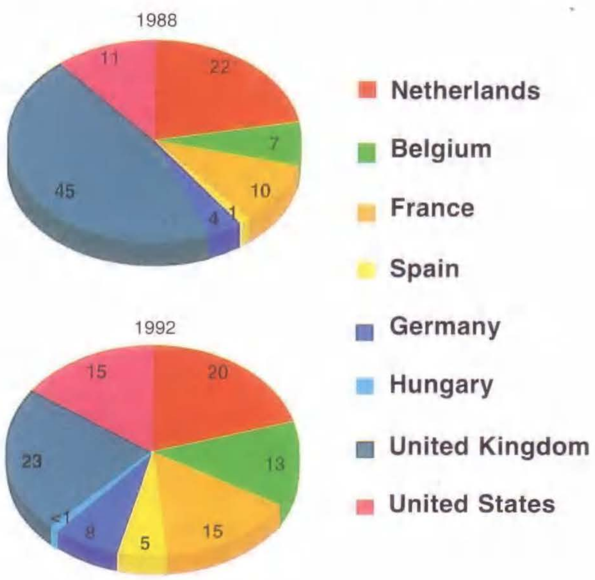
The Brussels office market has all the characteristics of a healthy and stable market with a strong concentration of International organisations in the city together with the presence of a large number of Government bodies at both National and Regional level. A further positive factor is the restrictive policy towards the grant of construction permits.

Economic growth in Belgium weakened in 1992 as exports and consumer expenditure came under

Distribution of investment properties



Geographical distribution of investments (in %)



pressure. There was a further fall in the rate of inflation to a level which is very low by International standards. Long-term interest rates dropped markedly and the strong position of the Belgian Franc in the EMS allowed money market rates to be lowered as well. Few investments were made in the property market.

The vacancy rate for Brussels' offices rose slightly to 4%. The figures for the 'old' centre and the Quartier Léopold, where many EC institutions are located was lower but vacancy rates on the outskirts have now reached 10%. Rents for office space in prime locations vary from BEF 8,000 to BEF 8,500 per m^2 with a top rate of BEF 10,000 being recorded in isolated cases. The yields for prime property rose slightly to around 7%. Outside the central districts market rents vary between BEF 5,000 and BEF 7,000 per m^2. As newly constructed offices come on the market some increase in vacancies is to be expected. Rents for prime office buildings should stabilize at around current levels.

Rents for shops in the main shopping streets have stabilized at the level of BEF 40,000 to BEF 45,000 per m^2, those in the smaller towns are lower. Shopping centre rents have in general developed satisfactorily with yields on successful centres exceeding 8%.

Our Belgian portfolio has performed well during 1992 and there are scarcely any vacancies. Substantial rent increases were achieved for both office and retail properties and a number of shops were refurbished in the course of the year. Planning permission has been granted for the extension to 'Les Bastions' Shopping Centre, Doornik, and the construction of three 1,000 m^2 units has been started. After a net write-down of 1.2%, our Belgian investments were valued at NLG 351 mln at the end of the year.

Germany

Economic growth slowed further in Germany. German consumers have become more cautious and exports have fallen steeply. Large areas of industry began to shed staff and unemployment grew.
Government finances continue to give cause for concern. Inflation reduced only slightly and remained relatively high. Monetary policy remained tight so that money market rates dropped only modestly. It would seem that the economy will not recover until after 1993. Relaxation of monetary policy will encourage recovery.

Most office markets in the western part of the country are past their peak. The uptake of office space in several large cities is falling. New construction, increasingly of a speculative nature, is adding further to supply, putting pressure on rents even in prime locations. In Frankfurt, for instance, top rents have fallen to DEM 60 – DEM 70 per m^2 per month against DEM 80 – DEM 90 a year ago. A similar movement has occurred in Dusseldorf where approx. DEM 40 per m^2 is being paid. The vacancy rate now amounts to 4% in Frankfurt and over 3% in Dusseldorf. There is still a shortage of high quality modern office space in the cities in the eastern part of the country. Here market rents are falling as potential tenants are unwilling to accept the exorbitant rents being asked. In the main shopping streets of the larger cities rents for shops increased by approx. 10%, partly as a result of the continuing strength of turnover. These rents should stabilize and subsequently probably fall somewhat in the near future.

The year was good for Wereldhave's German portfolio. Twenty five leases were extended or renewed, for more than 15% of our total floor space, with an attractive increase in rents. Due to this achievement and the quality of the properties in the portfolio, which rose in value by 2% to NLG 226 mln, there is scarcely any unlet space.

France

France is one of the few countries where economic growth accelerated. A successful anti-inflation policy has made French exports highly competitive. Investments, however, fell and unemployment rose. Attempts to dislodge the Franc from the EMS were beaten off by a massive currency intervention and an increase in short-term interest rates to 13% at the end of the year. The currency turmoil prevented long-term interest rates in France, despite the low inflation rate, from falling more than slightly. A somewhat lower rate of economic growth is forecast for 1993.

Vacancies in the office market in the Paris conglomeration rose from 5% in 1991 to over 7%. Here too there was a sharp increase in supply as speculative developments were completed and a drop in demand for office accommodation. Market rents have therefore fallen. Initial yields for prime offices have risen to around 6.5%. Although the number of new development projects has fallen steeply, projects 'in the pipeline' will maintain a good supply of property for letting for some time to come. This implies that no recovery can be expected on the letting market in the short term. Numerous property developers and property dealers have met with financial difficulties, causing enormous losses for the French banks. Relatively few investments were made in offices during 1992. Partly as a result of restrictive planning policies French shopping centres have in general done well.

The sale of a fifty per cent share in our Aguesseau office building on the Rue du Faubourg St. Honoré to a French institutional investor raised a sum in excess of its 1991 valuation and proved to be one of the few major sales on the Paris market. There are practically no vacancies in the portfolio. Extension of office leases yielded satisfactory new rent levels.

The Parinor Shopping Centre again made a higher profit, thanks in part to our own property management team. Plans for adding to and renovating the centre are now taking shape. Wereldhave was forced to adjust the valuation of the French portfolio downwards by 1.4%. The Parinor Shopping Centre was a favourable exception to this trend. At the end of 1992 investments were valued at NLG 396 mln.

Hungary

The re-modelling of the Hungarian economy continued in 1992. Re-structuring of the State sector, involving the closing down of manufacturing plants, has led to a rise in unemployment and increasing budget deficits. On the other hand the private sector and exports both grew strongly. The slide in industrial production seems to be coming to an end. An extremely tight monetary policy has helped to reduce inflation from approx. 35% in 1991 to just over 20%. The Hungarian Forint depreciated by a mere 4%. The economy is expected to take a turn for the better in 1993.

With new buildings coming to the market and existing buildings being renovated, the shortage of modern office accommodation has become slightly less severe and market rents are tending to fall. The office building on the Nagydiófa Utca, in which we have a sixty per cent share interest, was available for occupation in 1992. It is fully let at an average rent of DEM 40 per m^2 per month, which is most attractive. At the end of 1992 our investment was valued at nearly NLG 7 mln.

The Netherlands

The Dutch economy performed relatively well in 1992 although there was a slight slackening in economic growth. Deteriorating job prospects have made consumers more cautious. The inflation rate fell below 3%. The strong position of the Guilder against the Deutschmark made it possible to lower short-term interest rates considerably towards the end of the year. Long-term rates have also fallen. Economic conditions are expected to be unfavourable in 1993.

The office market in the western part of the country, the Randstad, remained weak. New buildings

Kronenburg Shopping Centre, Arnhem, following refurbishment of several parts during 1992.

recently completed have added further to the available supply of office space. The vacancy rate in the Randstad has reached almost 10% and is expected to continue to climb. Market rents are under pressure and gross initial yields for prime office buildings have risen to 8%. Rents and property valuations for offices are expected to remain under pressure for the next few years.

There is a divergence in retail trends between shops and shopping centres. Rents in the main shopping streets have been drifting downwards with the increase in the number of inner-city shops and growth in retail sales has slipped. Increasing traffic problems in the city centres are making the readily accessible shopping centres, with adequate parking facilities, increasingly popular to the consumer and retailer alike. Rents in such shopping centres should continue to rise modestly in the near future whilst any movement in inner-city shop rents will probably be downwards.

Viewed against the background of current market conditions Wereldhave's performance in terms of direct net income was good. Vacancies in the portfolio are negligible. Success with our sales programme has reduced the share of offices in the portfolio substantially in recent years. Our Dutch retail portfolio, with its four shopping centres representing a total sales area of approx. 63,000 m^2, had a good year. Plans for extending and renovating the Etten-Leur Shopping Centre were started at the beginning of 1993. Most of the work should be completed before the end of the year. In view of the terms of existing leases and their covenant, Wereldhave is confident that the level of rental income from its Dutch portfolio can be sustained. The portfolio was written down by 1.7% and was valued at NLG 536 mln at the end of the year.

Spain

The pace of economic growth in Spain has slowed down appreciably. High interest rates and falling profits have depressed investment. Employment has fallen. Inflation remained relatively high by international standards. There were devaluations of the Peseta in September and November and the consistent weakness of the currency has driven money market interest rates up steeply. However, the rise in long-term rates has been less pronounced. Economic activity will in all likelihood slow further in 1993, partly as a result of cuts in government expenditure. Here, as elsewhere, new construction activity plus a less buoyant economy has led to lower market rents and higher initial yields. In the centre of Madrid the vacancy rate is 5% to 6% and in Barcelona it has climbed to around 6.5%. Under the prevailing market conditions new office construction is not being undertaken unless the space has been pre-let and an investor found. Market rates have fallen in Madrid to approximately ESP 4,000 per m^2 per month to give a gross initial yield of 7.5%; market rents in Barcelona of ESP 3,500 per m^2 produce yields of between 7.5% and 8%.

Spain's relative lack of shopping centres is quickly being eliminated. Retail sales are under pressure and this is affecting market rents and the valuation of retail properties. Therefore, investments in this sector should be undertaken with caution. Spain's economic potential, however, justifies expectations of a come-back for the Spanish property market, provided the Spanish government manages to get its economic house in order.

Wereldhave's Spanish portfolio consists of four properties. The office building in the centre of Madrid is almost fully let. The only vacancy is

Entrance Hall (above) and Staircase (below) at 15 Calle Fernando El Santo, Madrid, following refurbishment of 3,200 m² of offices.

limited to part of one floor which will be renovated. The three development projects, one of which is in Madrid and two others in Barcelona, will be ready for occupancy during the course of 1993. One of the properties in Barcelona has been partially pre-let. Negotiations are underway with several potential tenants. In view of market conditions the value of the Spanish portfolio was written down by 12% and amounted to NLG 139 mln at the end of 1992.

United Kingdom

The British economy did not succeed in hauling itself out of recession in 1992. An increase in consumer expenditure in the second half of the year was counterbalanced by a deterioration in the balance of payments as imports rose. Once more unemployment rose. There has been a significant drop in the rate of inflation to around 2.5% at the end of 1992. After the September currency crisis and Sterling's departure from the EMS currency mechanism money market rates were lowered considerably. Long-term interest rates fell less steeply. An economic recovery is expected in 1993. The fall in interest rates lightens the burden of mortgage payments, bolstering confidence and allowing consumer expenditure to increase once more. The depreciation of Sterling can be expected to boost exports.

Although the vacancy level in London and South East England has fallen somewhat, there was no appreciable improvement in the letting market for office property in 1992. The vacancy rate in the City of London is 18% and in the West End of around 15%. Twenty-five year leases, until recently standard practice, are increasingly being superseded by shorter term leases of 10 or 15 years. Rent free periods of two years or more are also being experienced.

The large fall in rents has once more made it more attractive to be accommodated in Central London rather than on the outskirts. Office space is now available at around GBP 30 per sq. ft. in the City and GBP 35 to GBP 40 in the West End. At current market rents initial yields for prime offices amount to 7% to 7.5% in the City and 6.5% to 7% in the West End. The excess supply of office space means that there will be a delay before any recovery in economic growth is reflected in higher market rents and higher valuations.

Retail sales, especially sales of consumer durables, remained at a low level in 1992. This has led to further falls in market rents and valuations for shops and shopping centres but the retail sector is expected to be the first to react to a recovery in the economy.

31/36 Foley Street, London W1, following complete refurbishment of 8,300 m^2 of offices completed in 1992. The building has been let to the Independent Television Commission.

In 1992, more than one hundred leases came up for review. The result will be an increase of over GBP 1.6 mln per year in Wereldhave's rental income. In addition forty new leases were negotiated. The completely refurbished office building at Foley Street, London W1 has been let on a long-term lease. The vacancy rate in the British portfolio was pushed back slightly to 7.2% at the end of 1992. Refurbishment of approx. twenty five per cent of the unoccupied space takes place and will be available for letting after completion. Market conditions necessitated a downward revision of 18.5% in the portfolio's valuation. The value of the investments at the end of 1992 amounted to NLG 626 mln.

United States

Although the American economy is no longer in recession the recovery continues to be hesitant. Consumer expenditure has grown and investments, particularly housing investments, have increased. There has been a small increase in employment. The rate of inflation stabilized in 1992 at approx. 3%. Official short-term interest rates have been cut once more, reaching their lowest level of 3% in September. On balance there was little change in long-term rates in 1992. The USD exchange rate fluctuated widely to end the year at a slightly higher level. Recovery is expected to continue in 1993; the pace of recovery will depend largely on consumer confidence.

Although very little new construction is coming on the market, the low take-up rate is holding vacancy rates at a high level, at around 20% in down-town Manhattan, 17% approx. in Philadelphia, and in excess of 25% in Dallas. Compared to these cities Washington D.C., the seat of Government, is in much better shape with a 13% vacancy rate, which is well below the national average. Commercial market rents and values have fallen steeply in recent years.

The experience of our American portfolio reflects the difficult situation on the office market. The vacancy rate is thirty four per cent. Our management organization has made tremendous efforts to let office space and economize on expenses. The office building at 20 Exchange Place, New York, was confronted with the departure of a major tenant which had cut back its staffing levels. On the other hand a large number of leases were negotiated with smaller tenants. Nevertheless there continued to be many vacancies in our New York properties. This is also the case for our office building in Dallas. The situation in Washington is more favourable: there is practically no unlet space in our building there. Vacancies in the 1515 Market Street office building in Philadelphia are in line with the average rate for the city. Growth in employment is a pre-condition for improving occupancy rates. Employment growth is currently concentrated in small companies in both the services and the industrial sectors. Demand for office space will have to come mainly

Pacific Place, Dallas, (U.S.A.)

from these small enterprises in the services sector in the first instance. It is on this sector that our efforts in seeking tenants are strongly targeted. Renegotiation of service contracts and a critical watch on personnel expenses in our properties have lowered the cost base. The valuation of the American portfolio was written down by 9.5% to NLG 412 mln at the end of 1992.

Results

The direct investment result for 1992 amounted to NLG 85.2 mln, or NLG 7.36 per share (1991: NLG 92.8 mln, or NLG 8.05 per share). Gross rental income fell by NLG 6.8 mln to NLG 239.2 mln, the main reasons being currency movements, property sales and a slight rise in the vacancy rate. A reduction in operating costs by NLG 2.4 mln to NLG 32.2 mln made up part of the loss in gross rental income, leaving the net rental income for the year slightly lower at NLG 207 mln. As the result of the termination of a mortgage loan on a property in Dallas at the end of 1991 and the completion of the sale of the remainder of the trading portfolio in mid-1991, no 'Other investment income' was received during 1992 (1991: NLG 9.5 mln). Interest costs fell by NLG 5.2 mln to NLG 104.4 mln partly as a result of the property sales. The drop in interest rates which set in only in the course of 1992 will carry through to affect next year's result. Although gross rental income, operating costs and general costs have been treated in a different manner in our accounts, the direct investment result is unaffected. For further details please refer to the notes to the consolidated profit and loss account.

Downward adjustments in the portfolio valuation and currency movements have led to a lower net asset value per share. At the end of 1992 net asset value amounted to NLG 116.69 before distribution of profits on the ordinary shares, or NLG 109.44 on an ex-dividend basis (1991: NLG 137.63), assuming that all shareholders opt for the payment of a cash dividend.

Once again, we extend our heartfelt thanks to all of the staff for their efforts and loyalty throughout the year.

Prospects

Forecasts for the world economy in 1993 have been repeatedly revised downwards. Real economic growth for the OECD countries is now estimated at no more than approx. 2%. In many countries expenditure remains under pressure. Banks are reluctant to lend and consumers are saving more, partly out of fear of unemployment. Nevertheless the American economy is expected to continue its recovery and the British economy is also expected to shake off recession. The German economy, however, will slow down somewhat. The weak economy should herald lower inflation and provide more scope for reducing money-market rates. There is also room for some reduction in long-term interest rates.

The international property markets, it is believed, will have mixed fortunes in 1993. Economic recovery in the Anglo-Saxon countries will have a beneficial effect on the demand for office and retail space. Any structural improvement in market rents will take time, given the high level vacancy rates in many office markets. The fall in interest rates and high initial yields will rekindle investor interest for well let properties, and there has been some evidence of this in the United Kingdom in 1992.

In Continental Europe, where no economic recovery is expected before 1994, the demand for accommodation in many office markets will remain at a low ebb for some time. The happy exception is the Brussels' office market where the take-up rate will be sustained at a reasonable level. The demand for space in shopping centres is also expected to hold up well.

Despite the fact that market rents have in many cases fallen sharply and are still under pressure we expect rental income from the portfolio as a whole to stabilize during 1993. Since Wereldhave's leases have a wide spread of terms and expiry dates, rent reviews still have a positive effect with income under existing leases still below market levels, even if these have fallen. With rental income stabilizing and further falls in interest rates working in our favour, we expect to be able to maintain the direct investment result per share for 1993 at the same level as that for 1992.

The net asset value will be determined principally by investors' yield requirements and rental levels. The fall in interest rates makes it likely that interest in property as an investment will gradually increase, making a stabilization of the currently high yield requirements more probable. Economic recovery in the Anglo-Saxon countries and the low level of construction activity are amongst the factors contributing to an improvement in market conditions but the effect on rents will not be evident until later. In Europe, shopping centres are enjoying better market conditions than office buildings although the mediocre economic prospects will limit any potential improvement in valuations in 1993.

As we have done in recent years Wereldhave continues to work on improving the composition of the portfolio, with an emphasis on building up the retail element. Examples of this are the extension to the Etten-Leur Shopping Centre, where work was started at the beginning of 1993, and preparations are being made to upgrade, and add to, Parinor. Sales are aimed mainly at improving the composition of our portfolio and our capital structure. Properties are considered for disposal whenever market prospects indicate a deterioration in their potential or whenever little extra value can be added to them, even under intensive management. In purchasing properties close attention will be paid to the level of income generated and the potential for boosting income within a relatively short period.

Board of Management

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

The Hague, February 26, 1993

Accounts 1992 Wereldhave N.V.

Consolidated balance sheet at December 31, 1992

after proposed distribution of profits *(× NLG 1 mln)**)

	note	1992		1991	
Investments					
investment properties	1	**2,530.9**		2,977.7	
other investments	2	**161.9**		178.8	
			2,692.8		3,156.5
Working capital					
accounts receivable	3	**64.9**		70.9	
cash and bank balances	4	**160.4**		71.8	
short-term debt	5	**./. 263.6**		./. 162.5	
			./. 38.3		./. 19.8
			2,654.5		3,136.7
Long-term debt					
loans	6	**./. 1,338.6**		./. 1,490.7	
other liabilities	7	**./. 10.2**		./. 9.4	
			./. 1,348.8		./. 1,500.1
Provisions	8		**./. 43.4**		./. . 51.0
Shareholders' equity			**1,262.3**		1,585.6
Composition of shareholders' equity					
paid-up and called-up share capital	9		**236.8**		236.8
share premium	10		**1,229.9**		1,229.9
revaluation reserve	11		**—**		—
general reserve	12		**./. 204.4**		118.9
			1,262.3		1,585.6

*) See note 5 on page 25 and proposed distribution of profits on page 33.

Consolidated profit and loss account for 1992

(× NLG 1 mln)

	note	1992		1991	
Investment income					
gross rental income	1	**239.2**		246.0	
operating costs	1	**./. 32.2**		./. 34.6	
net rental income	1	**207.0**		211.4	
income on other investments	2	**–**		9.5	
			207.0		220.9
Costs					
interest	3	**./. 104.4**		./. 109.6	
general costs	4	**./. 17.3**		./. 18.0	
			./. 121.7		./. 127.6
direct investment result before tax			**85.3**		93.3
taxes on corporate income			**./. 0.1**		./. 0.5
Direct investment result			**85.2**		92.8

Movements in shareholders' equity for 1992

(× NLG 1 mln)

	1992		1991	
Direct investment result		**85.2**		92.8
Indirect investment result		**./. 324.6**		./. 326.8
Total investment result		**./. 239.4**		./. 234.0
proposed dividend*)	**./. 83,9**		./. 92.3	
issues of shares	**–**		7.6	
		./. 83.9		./. 84.7
Decrease in shareholders' equity		**./. 323,3**		./. 318.7

Notes to the accounts

Consolidation

Companies 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 rate 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:

	1992	1991
100 BEF	**NLG 5.4675**	NLG 5.47
100 FRF	**32.945**	32.985
100 ESP	**1.5845**	1.769
1 DEM	**1.1233**	1.12675
100 HUF	**2.164**	2.239
1 GBP	**2.752**	3.2025
1 USD	**1.8141**	1.7104

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. There is no requirement to include surplusses, arising on disposal of investments, in the taxable profit to be distributed.

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 valued at open market value less selling costs. Open market value is based on market rents less operating costs. The net capitalization factor and the present value of the differences between market rent and contracted rent, vacancies and investment needed in the future are calculated for each property to determine the open market value. Half of the portfolio is valued at open market value by independent external valuers on June 30 and the other half on December 31 of each year. The open market value of those properties not appraised by external valuers is subjected to internal valuation by the same method. Differences against the previous valuations are taken to the revaluation reserve.

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 for capital expenditure on works not yet undertaken as well as the capitalized interest costs and other income earned. Differences against the previous valuations 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 against the previous valuations are accounted for in the results.
- *Securities*
  Securities are valued at their stock market quotations. Differences against the previous valuations are taken to the revaluation reserve.
- *Loans*
  Loans are valued at the principal amount outstanding less such provisions as may be deemed necessary.

Provisions

Provisions are created to meet possible future liabilities or risks. The provision for contingent tax liabilities represents the discounted value of contingent liabilities to taxation arising from differences against the valuation of the properties in the accounts and the valuation for tax purposes, taking into account fully-allowable tax losses.

Accounting policies for determining results

Investment income

Gross rental income

Gross rental income is made up of rents charged to tenants for the year. Before 1992 gross rental income on United States' properties included amounts for the increased use of energy and price increases on services, property taxes and energy. From 1992 onwards, the amounts (charged to tenants) which are considered by Wereldhave as service costs, are no longer included in rental income and in operating costs.
The figures for 1991 have been adjusted accordingly. This adjustment (1992: NLG 22.3 mln and 1991: NLG 26.7 mln) has no effect on net rental income.

Operating costs

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

The operating costs exclude service costs charged to tenants on United States' properties (see above, under Gross rental income). From 1992 onwards also the costs related to rent collection and day-to-day management on British properties are attributed to operating costs (formerly attributed to general costs). The amount involved is NLG 2.2 mln and, for purposes of comparison, NLG 2.5 in 1991.

No provision is made for depreciation on investment properties. Investment properties are valued at open market value (see above under Investment properties) in which allowance is made for technical and economic obsolescence.

Income on other investments

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

Costs

Interest

Comprises interest attributable to the year on loans, other debts, accounts receivable and liquid assets, plus the 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. From 1992 onwards the costs related to rent collection and day-to-day management on British properties are accounted for under operating costs and not under general costs as in earlier years. For the effect of this change in the allocation of costs you are referred to the earlier section on Operating costs. 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 the 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 (cash) dividend distribution for 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 conversion 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, the balance is charged to the general reserve.

Notes to the consolidated balance sheet at December 31, 1992

(x NLG 1 mln)

	1992	1991
1 Investment properties		
balance at January 1	**2,977.7**	3,047.2
exchange rate difference	**./. 99.9**	./. 15.1
	2,877.8	3,032.1
purchases/expenditures	**23.1**	119.7
transferred from other investments	**13.2**	200.5
	2,914.1	3,352.3
disposals	**./. 184.8**	./. 123.9
	2,729.3	3,228,4
valuation adjustments	**./. 198.4**	./. 250.7
balance at December 31	**2,530.9**	2,977.7
2 Other investments		
balance at January 1	**178.8**	327.3
exchange rate difference	**./. 19.0**	./. 1.7
	159.8	325.6
purchases/expenditures	**34.8**	74.9
transferred to investment properties	**./. 13.2**	./. 200.5
	181.4	200.0
disposals/desinvestments	**—**	./. 11.9
	181.4	188.1
valuation adjustments	**./. 19.5**	./. 9.3
balance at December 31	**161.9**	178.8

The item 'Other investments' is made up almost exclusively of development properties.

3 Accounts receivable		
prepaid costs (partly long-term)	**20.3**	25.0
tax recoverable	**3.4**	6.8
debtors	**14.1**	10.5
other	**27.1**	28.6
	64.9	70.9

		1992	1991
4	**Cash and bank balances**		
	bank term deposits	**89.7**	57.0
	cash	**70.7**	14.8
		160.4	71.8

The average interest rate of the deposits is 8.6% at December 31, 1992 (1991: 9.7%). At December 31, 1992 the Company did not have the full and free disposal of bank term deposits to the amount of NLG 34.8 mln (1991: NLG 20.6 mln).

5	**Short-term debt**		
	redemptions on long-term debt	**77.2**	10.1
	dividend	**84.2**	52.6
	tax	**16.5**	16.1
	fixed-term loans and overdrafts	**12.5**	5.1
	creditors and other debts	**73.2**	78.6
		263.6	162.5

Dividend includes the sum needed to meet dividend obligations in respect of the financial year should all shareholders opt for a cash dividend.

6	**Loans**		
	balance at January 1	**1,490.7**	1,407.6
	add: short-term portion	**10.1**	4.4
		1,500.8	1,412.0
	exchange rate difference	**./. 8.9**	./. 6.9
	new loans	**270.4**	488.9
	redemptions	**./. 346.5**	./. 393.2
	balance of principal	**1,415.8**	1,500.8
	less: short-term portion	**./. 77.2**	./. 10.1
	balance at December 31	**1,338.6**	1,490.7
	Redemptions scheme:		
	1 to 2 years	**313.6**	347.3
	2 to 5 years	**440.0**	525.3
	5 years or more	**585.0**	618.1
		1,338.6	1,490.7

NLG 404.8 mln of the balance of principal of the loans is secured on property (1991: NLG 568.6 mln). The balance of principal can be illustrated as follows:

Currency	Distribution percentage		Average interest rate	
		December 31		December 31
	1992	1991	**1992**	1991
NLG	**47.3**	37.7	**7.6**	7.3
BEF	**11.2**	7.8	**8.9**	8.4
FRF	**11.2**	14.8	**11.4**	9.5
ESP	**2.2**	5.4	**14,5**	13.3
DEM	**0.1**	6.0	**7.0**	5.8
GBP	**10.8**	12.8	**7.6**	10.8
USD	**17.2**	15.5	**7.0**	7.6
	100.0	100.0	**8.2**	8.4

7 **Other long-term liabilities**

This item consists of tenants' deposits.

	1992	1991
8 **Provisions**		
provisions for contingent tax liabilities	**35.8**	42.8
provisions for extraordinary maintenance	**7.6**	8.2
	43.4	51.0

These provisions are of a long-term nature.

9 **Paid-up and called-up share capital**

The share capital is as follows:

Type of shares	Nominal value per share (NLG)	Authorized (NLG)	Issued at December 31 (NLG) **1992**	1991
ordinary shares	20	500,000,000	**229,319,860**	229,319,860
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**	259,320,060
less: uncalled preference capital			**./. 22,500,000**	./. 22,500,000
		1,000,000,000	**236,820,060**	236,820,060

Changes in issued share capital	1992	1991
balance at January 1	**229.3**	228.2
share issues	**—**	1.1
balance at December 31	**229.3**	229.3

At December 31, 1992 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 'A' and 'B' priority shares the reader is referred to the section 'Other information'.

10 Share premium

	1992	1991
balance at January 1	**1,229.9**	1,223.4
premium on share issues	**—**	6.5
balance at December 31	**1,229.9**	1,229.9

The share premium at December 31, 1992 includes an amount of NLG 1,198 mln which is exempted from tax (1991: NLG 1,198 mln) when distributed.

11 Revaluation reserve

	1992	1991
balance at January 1	**—**	206.2
valuation adjustments on investments	./. **217.9**	./. 260.0
exchange rate differences	./. **112.6**	./. 59.2
movements in contingent tax liabilities	**3.8**	12.6
other movements	**2.1**	./. 20.2
	./. **324.6**	./. 120.6
movement in general reserve	**324.6**	120.6
balance at December 31	**—**	—

12 General reserve

	1992	1991
balance at January 1	**118.9**	239.0
added according to proposal for distribution of profits	**1.3**	0.5
movement in revaluation reserve	./. **324.6**	./. 120.6
balance at December 31	./. **204.4**	118.9

13 Items not included in the balance sheet

Liabilities

At December 31, 1992 the group may be held liable for NLG 5.9 mln (1991: NLG 6 mln).

Notes to the consolidated profit and loss account for 1992

(× NLG 1 mln)

1 Rental income

	Gross rental income		Operating costs		Net rental income	
	1992	1991	**1992**	1991	**1992**	1991
The Netherlands	**57.2**	54.1	**5.6**	5.8	**51.6**	48.3
Belgium	**27.0**	23.2	**2.5**	2.4	**24.5**	20.8
France	**32.5**	33.7	**1.0**	1.7	**31.5**	32.0
Spain	**2.0**	1.6	**0.2**	0.3	**1.8**	1.3
Germany	**12.2**	10.2	**1.2**	0.8	**11.0**	9.4
Hungary	**0.4**	—	**0.1**	—	**0.3**	—
United Kingdom	**72.3**	84.7	**11.2**	14.0	**61.1**	70.7
United States	**35.6**	38.5	**10.4**	9.6	**25.2**	28.9
	239.2	246.0	**32.2**	34.6	**207.0**	211.4
Offices	**147.1**	149.4	**22.5**	22.5	**124.6**	126.9
Shops	**71.5**	74.7	**7.8**	9.5	**63.7**	65.2
Other	**20.6**	21.9	**1.9**	2.6	**18.7**	19.3
	239.2	246.0	**32.2**	34.6	**207.0**	211.4

2 Income on other investments

In 1991, income on other investments consisted of differences in valuation of the trading property portfolio and interest from loans.

	1992	1991
3 Interest		
interest paid	**127.4**	140.1
interest received	./. **8.0**	./. 12.2
	119.4	127.9
less: capitalized interest costs	./. **15.0**	./. 18.3
	104.4	109.6
4 General costs		
personnel	**14.6**	14.8
remuneration of Supervisory Board	**0.3**	0.3
external advisers and auditors	**3.0**	3.2
other	**6.3**	6.6
	24.2	24.9
less: costs of asset management	./. **6.9**	./. 6.9
	17.3	18.0

From 1992 onwards the management company Wereldhave Management Holding B.V. is wholly owned by Wereldhave N.V. As a result of this restructuring, personnel costs and other costs of the management company are accounted for under these headings in general costs and not under administration fees as was previously the case. The total of general costs is not affected. The figures for 1991 have been adjusted for purposes of comparison.

5 Other

Charged to the direct investment result are salaries to the amount of NLG 14.1 mln (1991: NLG 12.9 mln), social and collective securities contributions NLG 2.2 mln (1991: NLG 1.9 mln), and pension costs NLG 1.4 mln (1991: NLG 1.3 mln).
The remuneration of the Board of Management and former Board Members amounts to NLG 1 mln (1991: NLG 1 mln) including social and collective security contributions and pension costs. An average of 154 employees has been employed by the company during 1992 (1991: 148).

Consolidated statement of source and application of funds

(× NLG 1 mln)

	1992	1991
Source of funds		
direct investment result	**85.2**	92.8
capitalized interest costs	**./. 15.0**	./. 18.3
	70.2	74.5
sales	**184.8**	135.8
new loans	**270.4**	488.9
movements in other long-term liabilities	**0.8**	1.2
other movements in revaluation reserve	**2.1**	./. 20.2
share issues	**—**	7.6
	528.3	687.8
Application of funds		
purchases/investments in properties	**44.1**	176.8
redemptions on loans	**413.6**	398.9
dividend	**83.9**	92.3
exchange rate differences	**1.4**	48.8
movements in provisions	**3.8**	./. 0.8
	546.8	716.0
Decrease in working capital	**./. 18.5**	./. 28.2

Company balance sheet at December 31, 1992

after proposed distribution of profits *(× NLG 1 mln)**)

	note	1992		1991	
Investments					
investment properties		**504.1**		548.6	
investments in group companies	1	**961.5**		1,237.9	
other investments	2	**455.5**		459.4	
			1,921.1		2,245.9
Working capital	3				
accounts receivable		**31.3**		120.7	
cash and bank accounts		**141.9**		142.7	
short-term debt		**./. 199.0**		./. 149.6	
			./. 25.8		113.8
			1,895.3		2,359.7
Long-term debt					
loans	4		**./. 626.4**		./. 767.5
Provisions			**./. 6.6**		./. 6.6
Shareholders' equity	5		**1,262.3**		1,585.6

	1992	1991
Composition of shareholders' equity		
paid-up and called-up share capital	**236.8**	236.8
share premium	**1,229.9**	1,229.9
revaluation reserve	—	—
general reserve	**./. 204.4**	118.9
	1,262.3	1,585.6

Company profit and loss account for 1992

(× NLG 1 mln)

	note	1992	1991
direct investment result	6	**59.8**	70.0
result on investments in group companies		**25.4**	22.8
Operating result		**85.2**	92.8

*) See note 3 on page 31 and proposed distribution of profits on page 33.

Notes to the company balance sheet at December 31, 1992 and profit and loss account for 1992

(× NLG 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.

1 Investments

Movements are as follows:	**1992**	1991
Balance at January 1	**1,237.9**	1,433.6
Investments during the year	**118.8**	100.0
Sales/disposals	**./. 219.9**	./. 59.8
	1,136.8	1,473.8
Results	**25.4**	22.8
Valuation adjustments	**./. 164.0**	./. 216.9
Profit distributions	**./. 36.7**	./. 41.8
Balance at December 31	**961.5**	1,237.9

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.

2 Other investments

On account of inter-company relations NLG 347.7 mln (1991: NLG 455.7 mln) is included amongst other investments.

3 Working capital

On account of inter-company relations NLG 2.9 mln (1991: NLG 56.7 mln) is included amongst accounts receivable and NLG 46.9 mln (1991: NLG 59.5 mln) amongst short-term debt.

Short term debt includes the sum needed to meet dividend obligations in respect of the 1992 financial year should all shareholders opt for a cash dividend.

4 Loans

On account of inter-group relations NLG 123.3 mln (1991: NLG 272.9 mln) is included amongst long-term debt.

5 Shareholders' equity

The magnitude and composition of the shareholders' equity are indentical to those shown in the consolidated balance sheet to the notes to which the reader is referred for further information.

6 Direct investment result

The direct investment result includes the sum of NLG 26.5 mln related to interest income on account of intercompany relations (1991: NLG 50.6 mln).

7 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 NLG 500 mln (1991: NLG 471 mln).

Supervisory Board

J.F. Visser
P.J. Vinken
F.H.J. Boons
J.M.G. Hoes
W. Lemstra

Board of Management

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

The Hague, February 26, 1993

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 for promissory notes of 'De Nederlandsche Bank' at the beginning of the year over which the distribution is made plus a surcharge of 1½%. 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 total of the weighted averages of the discount rates for promissory notes and the extra interest surcharges of banks -calculated in relation to the number of days for which payment is made- increased by 3%, or such lower amount as is available from distributable profit. 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.

Proposed distribution of profits

In addition to the cash dividend of 5% on the outstanding 'A' priority shares and 11.25% on the outstanding preference shares to a total amount of NLG 844,000, it is proposed to distribute to ordinary shareholders a dividend of NLG 7.25 in cash, or should they so prefer, in the form of tax-free bonus shares charged to the share premium reserve. The number of bonus shares to be distributed per existing ordinary share will be announced on March 19, 1993. That part of profits which is not paid out in cash will be added to the general reserve.

(× NLG 1 mln)	**1992**	1991
Operating result	**85.2**	92.8
Preference dividend (incl. dividend on 'A' priority shares)	**0.8**	0.8
Ordinary dividend	**83.1*)**	91.5
Transfer to general reserve	**1.3**	0.5
	85.2	92.8

*) The maximum amount if all holders of ordinary shares opt for a cash dividend.

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.

Transactions with directly related parties

The members of the Supervisory Board and the Board of Management had no personal interest in any of the Company's investments during the year. The Company has no knowledge of any property transactions taking place in the year under review between the Company and persons or institutions which can be considered to stand in a direct relationship to the Company.

Auditor's report

We have audited the financial statements of Wereldhave N.V., The Hague, for the year 1992 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, 1992 and of the result for the year then ended and also comply with the other Dutch legal requirements for financial statements.

COOPERS & LYBRAND DIJKER VAN DIEN — The Hague, February 26, 1993

Investment properties at December 31, 1992

(Properties with an open market value of more than NLG 10 mln are separately mentioned)

Location	Type	m²	Parking spaces	Year of construction or renovation	Annual rent 1993 (× NLG 1 mln)
Belgium					
Brussels					
1-8 Boulevard Bischoffsheim	offices	12,800	150	1988	4.6
22-25 Boulevard Bischoffsheim	offices	6,000	64	1990	2.4
139-141 Koningsstraat	offices	5,000	48	1976	1.7
41 Kunstlaan	offices	3,500	55	1990	1.5
22 Muntplein/Schildknaapstraat	offices	7,700	34	1987	2.2
58 Regentlaan	offices	3,100	34	1975	1.3
84-86 Wetstraat	offices	13,700	186	1974	7.2
Nijvel					
10 Steenweg op Bergen	shopping centre	14,900	800	1986	1.9
Doornik					
22 Boulevard Walter de Marvis	shopping centre	4,500		1979	1.1
Properties with an open market value less than NLG 10 mln		11,400			3.8
		82,600			27.7
Germany					
Dusseldorf					
169 Heinrichstrasse/Franziskusstrasse	offices	10,900	141	1980	3.0
200 Mörsenbroicherweg	offices	10,200	179	1988	3.2
27 Steinstrasse	offices and shops	3,200	10	1988	1.3
Frankfurt					
3 Schwindstrasse	offices	3,800	21	1985	2.2
21 Taunusanlage	offices and shops	4,500	4	1990	3.0
		32,600			12.7
France					
Paris and environs					
145-149 Rue de Courcelles	offices	4,500	24	1987	3.1
29-30 Quai de Dion Bouton; Puteaux	offices	18,100	411	1987	7.5
56 Rue du Faubourg Saint Honoré/ 4-14 Rue d'Aguesseau (50%)	offices	6,400	50	1986	6.1
Shopping centre Parinor, Le Haut de Galy; Aulnay-sous-Bois	shopping centre	32,200		1974	13.6
		61,200			30.3
Hungary					
Budapest					
10-12 Nagydiófa Utca (60%)	offices	1,300	16	1992	0.8
The Netherlands					
Amstelveen					
Shopping centre Binnenhof, 10 Binnenhof (50%)	shopping centre and offices	9,850		1988	4.1
Arnhem					
Shopping centre Kronenburg, 1-13 Kronenburg Passage (leasehold till 2110)	shopping centre and offices	33,000	1,000	1985	10.4
Best					
4 Brem	other commercial space	11,300	690	1971	1.5
Doorn					
Park Boswijk, Boswijklaan	apartments	33,300		1974	4.0
Etten-Leur					
Shopping centre Etten-Leur, 1-72 Winkelcentrum	shopping centre	14,500		1980	2.8
Geldrop					
62-87 De Heuvel	shops with apartments	5,700		1973	1.1
The Hague and environs					
10-14 Carnegielaan	offices	4,100	59	1988	1.5
366-370 Sir Winston Churchilllaan; Rijswijk	offices	50,000	656	1986	11.2
1-8 Koningin Julianaplein	offices	11,600	78	1976	2.7
2-6 Nieuwe Havenstraat; Voorburg	offices	19,000	368	1988	3.3
12 Veraartlaan; Rijswijk	offices	5,600	87	1991	1.5
7 Zuid-Hollandlaan	offices	9,500	78	1989	3.3
Nuth					
15 Thermiekstraat	other commercial space	17,000	690	1987	2.1
Properties with an open market value less than NLG 10 mln		21,100			4.6
		245,550			54.1

Location	Type	m²	Parking spaces	Year of construction or renovation	Annual rent 1993 (× NLG 1 mln)
Spain					
Madrid					
2 Plaza de la Lealtad	offices	3,000		1972	2.0
United Kingdom					
Caerphilly					
Hypermarket, Pontygwindy Road	shops	10,500	1,000	1984	1.3
Gravesend					
Anglesea Centre	shopping centre	8,900	350	1988	2.3
London Area					
126/134 Baker Street, W1	shops	1,700		1935	1.0
76 Cannon Street, EC4 (leasehold until 2138)	offices	800		1988	1.4
The Carnaby Estate, W1	shops and offices	27,300	2	various	17.3
14-18 Eastcheap, EC3 (leasehold until 2128)	offices	5,200		1991	3.4
11/12 Haymarket, SW1	offices	1,100		1988	1.4
65 Kingsway, WC2	offices	6,000		1986	4.0
1,3,5 Lower George Street and 1 Eton Street, Richmond-upon-Thames	shops	2,900	10	1963	1.1
56/70 Putney High Street, SW15	shops	4,200	44	1971	1.3
10, 11 & 12 Thames Street and 1/5 Curfew Yard, Windsor	offices	1,500	53	1972	1.0
Redhill					
Grosvenor House, 65/71 London Road	offices	4,700	150	1986	2.2
Sittingbourne					
Trinity Trading Estate	warehouses	36,500	200	1982	4.7
Whyteleafe					
439/445 Godstone Road	offices	7,300	270	1964	1.8
Properties with an open market value of less than NLG 10 mln		101,800			24.3
		220,800			68.5
United States					
Dallas					
1910 Pacific Place	offices	29,700	14	1982	7.0
Philadelphia					
1515 Market Street	offices and shops	46,900		1986	16.6
New York					
20 Exchange Place	offices	60,400		1985	14.9
83 Maiden Lane	offices and shops	12,700		1985	2.2
Washington D.C.					
1401 New York Avenue	offices	17,800	165	1984	8.6
		167,500			49.3
Total		814,550			245.4

All properties are freehold unless otherwise stated. The floor space, number of parking spaces and the annual rent are shown on a pro-rata base for those properties which are not 100%-owned. The annual rent is calculated on the assumption that the buildings are fully let. At December 31, 1992, 79,600 m² of floor space, representing 9.8% of the floor space of the Group's investment properties, was unlet.

Independent valuers

Jorrit de Jong B.V., Amsterdam
Vellinga Makelaardij B.V., Doorn
Bourdais Expertises S.A., Paris
Knight Frank & Rutley N.V., Brussels
Jones Lang Wootton, London
Debenham Jean Thouard Zadelhoff, Budapest
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
Arthur Andersen & Co., Atlanta
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, 1992. In accordance with Group accounting practice valuations in currencies other than Dutch Guilders have been converted at rates of exchange ruling at December 31, 1992. The annual rent is calculated on the assumption that the buildings are fully let and is shown before deducting operation costs.

(× NLG 1 mln)	Offices		Shops		Other Properties		Total	
	open market value	annual rent	open market value	annual rent	market value	annual rent	open market value	annual rent
Belgium	279.2	21.0	53.0	5.2	16.1	1.5	348.3	27.7
Germany	210.8	12.0	15.5	0.7	—	—	226.3	12.7
France	237.6	16.7	158.8	13.6	—	—	396.4	30.3
Hungary	6.6	0.8	—	—	—	—	6.6	0.8
The Netherlands	251.2	28.0	208.1	17.8	71.9	8.3	531.2	54.1
Spain	22.2	2.0	—	—	—	—	22.2	2.0
United Kingdom	230.6	29.1	282.5	31.0	74.4	8.4	587.5	68.5
United States	400.1	47.9	12.3	1.4	—	—	412.4	49.3
Total	1,638.3	157.5	730.2	69.7	162.4	18.2	2,530.9	245.4

General lease conditions

The following is a summary of typical provisions relating to leases on Wereldhave's investment properties in the respective countries.

Belgium
a. Term: 3, 6 or 9 years with a mutual 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: annual increases based on building cost increases (INSEE-index) unless otherwise agreed.
c. Outgoings: structural maintenance only is for the landlord's account.

Hungary
a. Term: 5 years with an option for the tenant to extend a further 5 years.
b. Rent increases: annual increase based on the cost of living index (consumer price index).
c. Outgoings: structural maintenance, insurance, and management are 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 landlord's 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: all outgoings are fully recoverable.

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; escalation clauses exist for increases in property taxes, electricity and wages.

Development properties

(Projects with a value above NLG 10 mln)

Spain
Barcelona

4 Rambla de Cataluña — Construction of an office building and shops with 4,400 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 3,200 m² floor space and 37 parking spaces. Freehold.

United Kingdom
London

31/36 Foley Street, W1 — Refurbishment of an office building with 3,300 m² floor space and 12 parking spaces. Freehold.

Rickmansworth

Olds Approach, 1 Tolpits Lane — Development of warehouse units with ancillary offices with 7,800 m² floor space. Leasehold.

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WERELDHAVE

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