ANNUAL REPORT

'93

WERELDHAVE N.V.

Annual Report 1993 Wereldhave N.V.

Contents

This is the English translation of the official Dutch Annual Report and Accounts 1993.

Wereldhave in brief

Mission and corporate aim

- **Wereldhave's** mission is to make available, when and where needed, property for rent with the object of offering an attractive return on investment combined with a low risk profile of the property portfolio.
- For this purpose the timely recognition of the performance and risk prospects of property markets and individual properties is essential.

Organization

- **Wereldhave** has at its disposal an integrated investment and property management organization with offices in Brussels, The Hague, Dusseldorf, London, Madrid, New York and Paris.
- This organization provides Wereldhave with continuous direct access to reliable and up-to-date information about the property markets in which it operates. This enables Wereldhave to react swiftly to changing circumstances.

Investments

- **Wereldhave's** investments consist of shopping centres, office buildings and industrial property. Changes in prospective investment returns and risks lead to regular adjustments in the mix of the property portfolio and its geographical distribution.
- The investments are currently distributed over Belgium, Germany, France, Hungary, the Netherlands, Spain, the United Kingdom and the United States.

Property valuation

- **Wereldhave's** properties are valued at open market value less selling costs.
- Appraisals take place annually with successive halves of the portfolio being valued on June 30 and December 31 by independent external sworn valuers. Parallel, internal valuations using identical methods are carried out at the same time for the entire portfolio.

Financing and currency management

- **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.

Structure

- **Wereldhave** is an independent property investment company, founded in 1930.
- Wereldhave shares are traded on the Stock Exchanges in Amsterdam, Brussels and Antwerp.
- The Company is an investment company with variable capital. The Board of Management only has the authority to issue shares and to acquire the Company's shares; the Company has neither an obligation to issue shares nor to buy its shares.
- Wereldhave has the status of an Investment Institution under Dutch law and so in effect does not pay Corporation Tax in the Netherlands.
- Wereldhave is licensed to carry out the activities of an investment company under the Dutch Wet toezicht beleggingsinstellingen (Investment Funds Supervision Act).

Financial calendar

– Annual General Meeting	:	March 24, 1994
– Payment date in respect of 1993 dividend	:	April 4, 1994
– Publication of 1994 half-year report	:	August 25, 1994
– Publication of 1994 nine-months report	:	October 31, 1994
– Publication of 1994 Annual Report and Accounts	:	March 1995

Information

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

WERELDHAVE

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

G.C.J. Verweij

Supervisory Board's 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, 1993. Coopers & Lybrand, auditors, have audited the financial statements and have certified the Accounts. We propose the approval of the Accounts and, in accordance with the proposal of the Board of Management, a dividend of either NLG 7.25 in cash or, at the choice of shareholders, a distribution in the form of bonus shares to be charged to the share premium reserve; the distribution ratio will be announced on March 18, 1994.

On September 1, 1993 Mr M.T. Kooistra resigned from the Board of Management. We are grateful to Mr Kooistra for his work on Wereldhave's behalf. As of September 1, 1993 Mr J.F. Visser, Chairman of the Supervisory Board, also acts as a delegate supervisory director. At the Annual General Meeting of Shareholders on March 24, 1994 the appointment of Mr. R.L.M. de Ruijter to the Board of Management will be proposed. At the same meeting Messrs J.M.G. Hoes and W. Lemstra retire by rotation from the Supervisory Board; they have stated to be available for re-election.

On behalf of the Supervisory Board

J.F. Visser, Chairman

The Hague, February 24, 1994

Summary of past 5 years

	1993	1992	1991	1990	1989
Results					
(× NLG 1 mln)					
Net rental income	199.8	207.0	211.4	193.5	171.7
Direct investment result	100.9	85.2	92.8	95.1	109.3
Indirect investment result	./. 89.3	./. 324.6	./. 326.8	./. 92.3	57.6
Total investment result	11.6	./. 239.4	./. 234.0	2.8	166.9
Balance sheet					
(× NLG 1 mln)					
Investments	2,418.4	2,692.8	3,156.5	3,374.5	3,213.9
Shareholders' equity	1,381.5	1,262.3	1,585.6	1,904.3	1,993.5
Long-term debt	1,031.4	1,348.8	1,500.1	1,415.8	1,192.8
Issued ordinary shares of NLG 20 nominal value at December 31					
(in numbers)	13,558,489	11,465,993	11,465,993	11,407,817	11,184,134
Statistics per ordinary share of NLG 20					
(× NLG 1)[1]					
Net asset value	101.34[2]	108.18	136.05	164.36	172.09
Direct investment result	7.38	7.28	7.96	8.18	9.53
Indirect investment result (incl. other)	./. 6.97	./. 27.98	./. 28.36	./. 8.00	8.76
Total result	0.41	./. 20.70	./. 20.40	0.18	18.29
Dividend	7.25	7.17	7.91	7.91	7.75
	or ... %[3]	or 8%			+ 2%

[1] The amounts per share have been adjusted for the 1992 bonus issue.

[2] Assuming all shareholders opt for the cash dividend rather than the bonus issue.

[3] To be announced on March 18, 1994.

Report of the Board of Management

Introduction

The year under review can be characterized as one in which property companies, both at home and abroad, showed an excellent performance. This was certainly true in the case of Wereldhave, whose shares recorded a total return of sixty three per cent, a strong performance compared with other Dutch property funds. The sharp fall in interest rates was the driving force for the steep appreciation in share prices. As dividend yields exceeded bond yields and deposit rates, there was an increase in investor interest in the shares of property companies. Furthermore, investors expected the sector to recover, after a period of substantial negative revaluation of assets together with modest income returns. They anticipated a number of developments which did not yet occur during 1993.

Commercial property markets presented a divergent picture during 1993. In general, investment markets were more buoyant than rental markets. Investors were principally interested in successful shopping centres and other commercial properties with good rental income secured over a longer period. In the United Kingdom, particularly, the fall in interest rates led to a rise in the value of these properties towards the year-end.

The effect of the recession was still evident in most office rental markets. The net take up of office space remains low. Many markets have to contend with high vacancy rates as a result of extensive new building which came to the market in the early nineties. Market rents, however, are now falling more slowly and a clear reversal of the trend is expected to take place in the United Kingdom during 1994. In 1993, the retail sector did better than the office sector and this trend is expected to continue into 1994.

Against this background, Wereldhave achieved good results in 1993. The direct investment result increased by over eighteen per cent from NLG 82.5 mln to NLG 100.9 mln. Given the large increase in the issued share capital, the direct investment result per share amounted to NLG 7.38 as against the figure of NLG 7.36 originally published for 1992 (NLG 7.28 after adjustment for the 1992 bonus issue). At the forthcoming Annual General Meeting of Shareholders a distribution of a cash dividend of NLG 7.25, with the alternative of a tax free issue of bonus shares, charged to the share premium reserve, will be proposed.

Under the favourable market conditions of the second half of 1993, Wereldhave issued 1,271,000 new shares mainly at the end of the year. These shares were valued at above net asset value and placed at the market price at that time. Principally, the proceeds were intended for new investment, including the shopping centre in Leiderdorp, the Netherlands, and an office building in Budapest, Hungary. At the end of 1993 agreement was reached to purchase a site in Liège, Belgium, for the development of a shopping centre with a lettable area of 30,000 m^2. Towards the end of the year properties were sold in Belgium, Germany, the Netherlands and the United Kingdom. The proceeds amounted to NLG 338 mln and were in excess of the book value at December 31, 1992.

In line with market developments the valuation of the investments was reduced by 3.7% (1992: 7.5%). At December 31, 1993 investments were valued at NLG 2.4 bln. The net asset value per share, before making any adjustment for shareholders taking bonus shares rather than the 1993 cash dividend, amounted to NLG 101.34 (1992: NLG 108.18 after adjustment for the issue of bonus shares).

Financial review

Results

The direct investment result increased by NLG 15.7 mln to NLG 100.9 mln (1992: NLG 85.2 mln). The effect of the 2.7% fall in gross rental income from NLG 239.2 mln to NLG 232.7 mln was exceeded by a large margin by lower interest charges. Calculated on a much increased share capital, the direct investment result per share came out slightly higher at NLG 7.38 (1992: NLG 7.28 after adjustment for the bonus shares), despite the average Guilder value of Sterling being considerably lower in 1993 as compared with 1992.

In September 1993 Wereldhave acquired the 'Winkelhof-shopping centre', Leiderdorp (14,800 m²); this centre is fully let

Thanks partly to the retail sector, rental income from the existing portfolio held up well. The drop in gross rental income was largely the result of the sale of properties and the slightly higher vacancy rate. Operating costs remained fairly static. General costs fell from NLG 17.3 mln to NLG 15.8 mln, principally as a result of lower personnel costs. A number of factors help to explain the steep fall in net interest charges of NLG 21.7 mln to NLG 82.7 mln. Lower interest rates have a direct impact upon the results since a substantial part of the Company's debt carries a variable interest rate. The proceeds from the sale of properties were applied towards the redemption of a number of loans at the end of the year. As a result, interest charges were reduced. Finally the issue of new shares had a favourable effect on interest, since, as is the Group's practice, the direct investment result over the year to date incorporated in the proceeds of the shares issued, is accounted for as interest income in the profit and loss account.

The net asset value per share, after deduction of the proposed cash dividend, amounted to NLG 101.34 (1992: NLG 108.18 after adjustment). The dip caused by lower valuations was partly compensated by the sale of properties at above book value, together with a modest profit from exchange rate differences. The total result per share, which is the sum of the direct and indirect investment result, amounted to NLG 0.41 (1992: ./. NLG 20.70 after adjustment).

Equity and debt financing

The issue of more than 2,000,000 shares was intended to reinforce the equity position and provide funding for attractive new investments. The share alternative for the 1992 dividend was taken up by ninety per cent of those eligible and led to the issue of more than 800,000 shares. This resulted, together with the issue of 1,200,000 shares in the second half of 1993, to an increase of eighteen per cent in the ordinary share capital. Shareholders' equity increased to NLG 1,382 mln at the end of 1993, or to 57% of total assets (1992:48%).

Long-term debts were reduced and this, together with world-wide falls in interest rates, resulted in a sharp drop in interest charges. At year-end the average interest rate payable on the Company's debts was 7.1% (1992: 8.2%). More than thirty per cent of the debts carry a variable interest rate, which will be beneficial as interest rates fall.

Currencies

The European Monetary System suffered further during 1993. This involved wide fluctuations in the values of various European currencies in which Wereldhave had invested. On balance, currency movements had a modestly positive effect on Wereldhave's net asset value for 1993. The depreciation of all the EMS currencies against the Guilder was fully compensated by the appreciation of the US Dollar and Sterling over their value in Guilders at the end of 1992. Contrary to this, the lower average Guilder values of foreign currencies in 1993, as compared to 1992, had a negative influence on the direct investment result.

Dividend

Wereldhave's dividend policy is determined principally by the profit as calculated for commercial purposes with the proviso that the Company is required, under the Dutch law governing investment institutions, to distribute the entire profit calculated for tax purposes. As was the case in 1992, there is no fiscal obligation to pay a dividend for 1993. However, shareholders will be given the opportunity to receive their dividend tax-free in the form of bonus shares, charged to the tax-exempted share premium reserve, rather than in cash. The distribution ratio for the bonus shares will be announced on Friday, March 18, 1994. Those who prefer a dividend in cash will receive NLG 7.25 per ordinary share. With this alternative, the Board of Management meets the wish of shareholders to be able to opt for a dividend in shares; the Board considers the option is justified by the investment result expected for 1994.

Share price performance

Wereldhave's share price rose during the year by fifty one per cent from NLG 78.50 to NLG 118.50, as against an increase of forty five per cent in the CBS General Index of the Amsterdam Stock Exchange. The total return, assuming the re-investment of dividends, amounted to sixty three per cent. There was a steep rise in the volume of business in Wereldhave shares with a remarkable increase in interest on the part of foreign investors, especially from Anglo-Saxon countries.

Disclosures made under the Dutch Wet Melding Zeggenschap (Major Holdings Disclosure Act) show that there are four shareholders with more than five per cent of the Company's share capital. These are Stichting Gemeenschappelijk Beheer en Administratie Beroepspensioenfondsen Artsen (Pension Fund for General Practicioners & Medical Specialists) 10.12%, Stichting Pensioenfonds voor de Gezondheid, Geestelijke en Maatschappelijke Belangen (Health & Social Services Pension Fund-PGGM) 20.91%, Stichting Pensioenfonds Rabobankorganisatie (Rabobank Pension Fund) 9.24% and Stichting tot het houden van Preferente en Prioriteitsaandelen B Wereldhave (Foundation for the holding of preference shares and 'B' priority shares Wereldhave) 10.4%.

Economic and financial developments

The world's various regions passed through divergent stages of the business cycle during 1993. Economic growth strengthened gradually in the United States and the United Kingdom. By contrast, the recession deepened in Japan. Continental Europe was faced with stagnation, but the Dutch economy performed relatively well. Towards the end of the year some signs of recovery could be identified in Europe.

Europe's competitive position worsened during the year and increased competition, particularly from the strongly growing economies of South-East Asia and from some East-European countries, made itself felt. Unemployment rose to worrying levels in Europe. In August 1993, the need to lower interest rates in order to stimulate the economy was the catalyst behind the de facto dissolution of the European Monetary System. This was followed by wide-ranging changes in the conversion rates between the European currencies before they settled down within more limited bands towards the end of the year. Interest rates fell sharply in Europe, but continued to be determined largely by the Bundesbank. Europe's poor economic growth level induced a further fall in inflation levels.

The United States economy recovered without causing inflation to rise. Consumer confidence improved as was evident from the increase in consumer spending which outpaced income growth with a fall in savings. Corporate profits and retained cash flow were at low levels, allowing little leeway for investment. This, together with the high, if falling, budget deficit and the substantial trade deficit leaves only a limited margin for further structural improvement of the economy.

The fall in interest rates started an almost universal boom on the equity markets with many previous market highs being surpassed. The shares of most quoted property companies rose strongly.

Investments

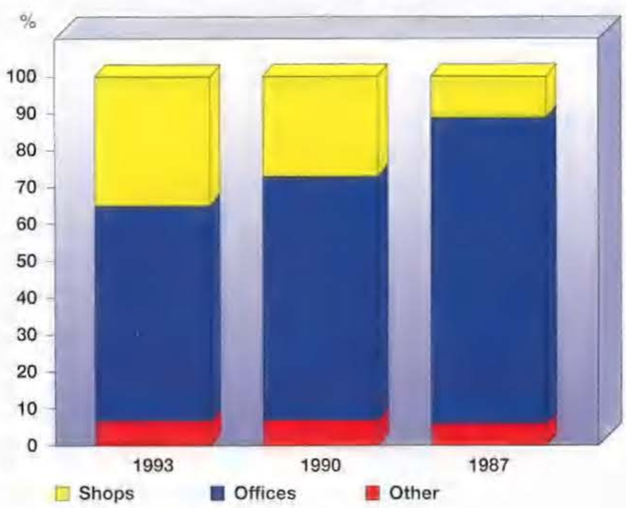
General

The distribution of investment properties and the geographical distribution of investments in the period 1989-1993 were as follows:

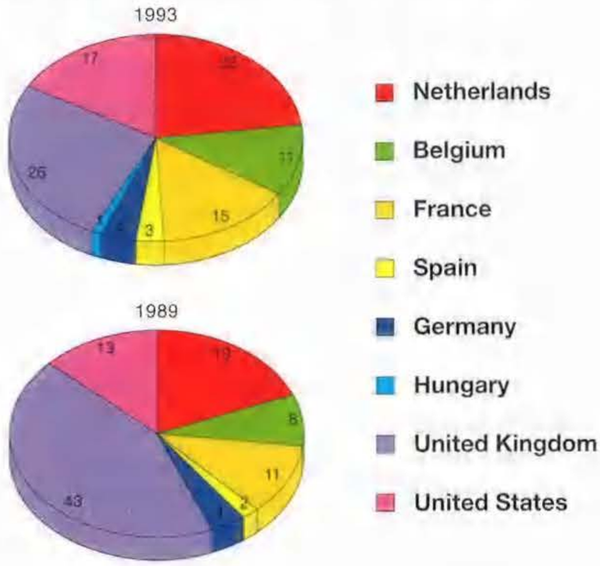
	1993	1992	1991	1990	1989
Distribution of investment properties (%)					
Shops	35	29	28	27	23
Offices	58	65	66	66	71
Other commercial	7	6	6	7	6
Geographical distribution of investments (%)					
Belgium	11	13	11	10	8
Germany	4	8	7	5	4
France	15	15	16	16	11
Hungary	1	< 1	< 1	–	–
Netherlands	23	20	18	18	19
Spain	3	5	5	4	2
United Kingdom	26	23	29	35	43
United States	17	15	13	12	13

Additions to the portfolio amounting to NLG 59.3 mln were made in the Netherlands and Hungary. The Company's sales programme was achieved in full. The divestment policy improved both the portfolio mix and the balance sheet. Sales, principally of office buildings, were made in Belgium, Germany, the Netherlands and the United Kingdom. The proceeds amounted to NLG 338 mln and exceeded the book value as at December 31, 1992.

Distribution of investment properties



Geographical distribution of investments (%)



The rapid pace of developments in the retail sector and also the exacting requirements of the consumer, force constant improvements to existing shopping centres with considerable further investment. Office buildings also require substantial expenditure to withstand market competition. In addition to normal maintenance expenditure, NLG 58.3 mln was invested on improvements of the portfolio, including the extension of several shopping centres during the year (1992: NLG 51.5 mln).

Investment properties are valued at open market value less costs. Purchases and sales of investments plus changes in the valuation of properties, currency movements and improvements in the existing portfolio led to a change in the geographical distribution of the portfolio. The shares of the Netherlands, United Kingdom, United States and Hungary rose. Those for Belgium, Germany and Spain fell and France remained unchanged at fifteen per cent. The valuation of the entire portfolio went down by 3.7%. There was a downward adjustment in the value of the French, German and United

Entrance Hall, 22-25 Boulevard Bischoffsheim, Brussels.

States portfolio's; this adjustment was considerable in Spain. In the United Kingdom, the Netherlands and Hungary, there was a modest upward revaluation of the portfolio, with that of Belgium marginally lower. The value of the portfolio as at December 31, 1993 amounted to NLG 2.4 bln (1992: NLG 2.7 bln).

Retail investments accounted for 35% of the investment portfolio at the end of the year (1992: 29%). Wereldhave's target is to achieve a share of at least fifty per cent, a level which has already been accomplished in the Netherlands.

Belgium

During the second half of the year there were some signs of an impending improvement in the Belgian economy. Due in part to the continuing recession elsewhere in Western Europe there was no visible economic recovery. High wage costs and interest rates depressed real investment activity and unemployment continued to rise. On the positive side consumer expenditure held up reasonably well. In August the Belgian Franc came under severe pressure. Later in the year the Central Bank lowered interest rates in order to stimulate the economy. In the last quarter the currency recovered as a result, inter alia, of the passing of the Government's so-called crisis plan.

The Brussels' property market can still be considered to be fairly stable. Nevertheless, the total amount of unlet office space in the Brussels' conglomeration rose to over 7% of the total available. Vacancies were higher than in the previous year in the city centre and in the Quartier Léopold. Vacancies stabilized in the 'green belt' and on the outskirts they actually fell. Strangely, vacancies increased in new buildings, whereas unlet space fell in the older ones. The increase in available supply depressed market rents, which on average declined by between 5% and 10%, depending on the quality of the building and its location. Prime market rents for offices are approximately BEF 8,500 per m^2. In view of the supply level of available property and a lack of demand, market rents are not forecast to rise in the near future. Gross initial rental yields rose slightly in the course of 1993 to reach approximately 7.5% for the better locations. As a result of the policy of restricting new building, the amount of office space under construction has fallen.

Market rents for shops in the main streets of the large cities changed little. Initial rental yields in this sector are around 7.5%. Rents in shopping centres are generally firmer with initial yields for successful centres at around 8%. In contrast to previous years a number of new shopping centres are being built, in various parts of the country, but it is important to realize that new building and even extensions to existing shopping centres are subject to strict regulations.

Wereldhave achieved an excellent performance for its Belgian properties with the portfolio practically fully let. Substantial rent increases were achieved both for the extension of existing leases and the grant of new tenancies. The extension to the 'Les Bastions' shopping centre, Doornik, comprising three units with a total lettable area of 3,000 m^2, was completed and was ready for occupation in the fourth quarter of the year. Since then two of the units have been let and negotiations are underway for the third. At the end of the year the office building (13,700 m^2) at 84/86 Wetstraat, Brussels, was sold at a price close to the book value at the end of 1992. In addition, agreement was reached late in December 1993 for the acquisition of a site in Liège upon which a shopping centre, with a lettable area of 30,000 m^2 and 1,700 parking spaces (1,200 of which will be under cover), will be built. The 'Belle Ile' centre, as it will be called, will comprise a supermarket of 10,000 m^2 and 98 smaller shops, varying in size from 40 m^2 to 1,800 m^2. The total investment of NLG 145 mln will be funded largely internally. It is expected that this centre will be in operation in the second half of 1995 at an initial yield of 8%. Negotiations are under way to let 22,000 m^2; some of these have reached an advanced stage. It is expected that Wereldhave's local management will pre-let the available space. Once 'Belle Ile' is in operation, more than fifty per cent of the Belgian portfolio will consist of shopping centres and shops.

The valuation of the Belgian investments was almost unchanged at the year-end when they were valued at NLG 265 mln.

Germany
The year was characterized by recession and rapidly increasing unemployment. Far reaching restructuring was carried out in industrial companies. Increases in indirect taxes and the 'solidarity levy' bought an extra financial burden upon German households. Inflation fell from a relatively high level, allowing for a relaxation of monetary policy. Interest rates were reduced step by step to stimulate economic recovery. The position of the Deutschmark against other European currencies remained fairly strong. In general, the German economy is expected to show a modest growth in 1994, with the improvement being supported by higher exports and increases in production in capital goods industries.

The demand for office space in the large German office centres fell. Market rents for prime locations were below 1992 levels. The fall in rents was substantial in Frankfurt, Stuttgart and Munich, amongst other cities, and relatively moderate in cities such as Dusseldorf and Hamburg. Market rents in Frankfurt currently vary between DEM 55 and DEM 65 per m^2 per month; in Dusseldorf the range is from DEM 35 to DEM 45. Initial rental yields for the top segment of the office market rose marginally to between 5.5% and 6%. For locations, out of the large city centres, yields are at least one percentage point higher. The rental markets for office buildings in Eastern Germany are clearly typified by a situation of deferred demand. Construction activity is at a high level and the exorbitantly high rents of a few years ago have now fallen substantially. Market rents in Berlin are now comparable with the levels achievable in Frankfurt and those in Leipzig with Dusseldorf.

Retail turnover in Western Germany fell slightly in 1993. Nevertheless, there is increasing interest in investment in shopping centres. Initial rental yields for well situated shopping centres in the large urban conglomerations are around 6%. Shopping centres in medium and smaller centres of population carry higher yields. Permission to build new centres in Western Germany is subject to strict controls. Until now controls have been much more relaxed in Eastern Germany where around one hundred centres are being built, mainly on the outskirts of the cities. There is a real risk of a glut of retail space.

Wereldhave's German portfolio continued to perform well. Large quoted domestic investment funds were active as investors in the office market. The massive influx of liquidity led to these funds being prepared to purchase commercial property at relatively low initial yields. Wereldhave availed itself, at the end of 1993, to the opportunity to sell its three office buildings in Dusseldorf and another in Frankfurt on attractive terms with the proceeds exceeding book value at the end of 1992. Wereldhave's German management will continue to manage these buildings during 1994. Wereldhave intends to continue its activities on the German property market by making new investments, preferably in the retail sector. The remaining office building on the Taunusanlage in the centre of Frankfurt is fully let and was valued at NLG 85 mln at the end of 1993.

France
Although industrial production and employment levels both fell, the French economy showed signs of a possible improvement. Consumer expenditure rose; the low rate of inflation and moderate wage increases are having a favourable effect on the competitive position of French industry. The French Central Bank lowered its principal interest rates. Although the 'franc fort' policy had to be relinquished temporarily, the currency recovered later in the year as confidence in the economy increased.

Shopping Centre 'Winkelhof', Leiderdorp.

At the end of 1993, Wereldhave extended its Hungarian portfolio with the modern office building 'Amfi-Center', 20 Timar Utca, in western Budapest. The building is fully let.

Under the influence of the recession, market rents for shops in the main streets in the cities fell steeply in many cases. Elsewhere in the retail sector, market rents for shopping centres in good locations were much less strongly affected. Wereldhave's shopping centre Parinor once more yielded a good return and is fully let. Further improvement in the tenant mix and extensions of existing lettings led to higher rental income. A decision on additions to, and the renovation of, Parinor is expected to be reached during 1994 in close co-operation with our partners. It is anticipated that this investment will improve the centre's performance.

The effect of the recession was clearly visible in the Paris office market. Market rents, even for prime sites, have continued to fall. The effective rents for new leases with respect to such buildings, allowing for rent free periods and landlords' refitting expenses, range between FRF 2,500 and FRF 3,200 per m². Despite lower interest rates initial rental yields showed a moderate rise to 6.5%. Since no meaningful transactions took place in this sector of the investment market, this figures should be regarded as no more than an indication. The vacancy rate in the Paris conglomeration rose further and exceeded the ten per cent mark. It is a tenant's market and the number of relocations have been increasing. Tenants are attempting to reduce rents by moving to newly built premises or by demanding concessions when existing contracts come up for renewal.

Under the circumstances Wereldhave achieved a good performance in income terms. The effective rents for its office properties are in most cases in line with current market levels and so there is no inducement for tenants to seek alternative accommodation. The vacancy rate in our office portfolio was in excess of 7% at the end of the year. In line with market movements there was a net reduction in the value of the portfolio of 6.1% which stems solely from the office portfolio; the valuation of Parinor rose. At year-end the investments were valued at NLG 374 mln.

Hungary

The process of restructuring the Hungarian economy continued in 1993. Jobs were lost, especially in the public sector. The budget deficit widened. The private sector expanded and exports increased. For the first time in a number of years there was a rise in industrial production, heralding a return to economic growth. Inflation is still high, but fell slightly as a result of a restrictive monetary policy. The currency continued to be weak.

During the 1985/1991 period there was little new office accommodation on offer in Budapest. From 1989 onwards, there was a clear increase in demand for modern office space and rents rose from DEM 35 per m² per month at the end of the 1980's to DEM 55 in 1990/1991. This induced a sharp increase in new construction activity. In 1992 85,000 m² of modern office space came on the market and market rents for first class office buildings consequently fell back to DEM 50 per m². Although Hungary is also in recession, rents for this type of building have stabilized at around this level, thanks partly to a fall in new construction activity.

Hungary is politically and economically one of the most stable countries of Central Europe. Budapest is becoming an increasingly important economic

Entrance of the 'Amfi-Center'.

centre. An increasing number of foreign, mainly western, companies are setting up office in Hungary. Many of them choose to be accommodated in Budapest in well equipped modern buildings with parking facilities. Current initial rental yields are above 10%.

This was the background against which Wereldhave acquired its second Hungarian property at the end of 1993. The property in question is a modern office building of 2,000 m² with 21 parking spaces in a good location in the western part of the city. The building, which is fully let to top class tenants, was purchased on a net yield of 13%. There are no vacancies in the portfolio. The Hungarian investments were valued at NLG 14 mln at December 31, 1993.

The Netherlands

In the midst of the recession being experienced by Continental European countries, the Dutch economy held up reasonably well. This was a remarkable achievement in view of the depth of the recession in Germany, the country's most important trading partner. Increasing consumer expenditure was the main factor preventing economic growth from turning negative. The development of manufacturing and construction industries was less successful; the utilization of production capacity fell. Unemployment jumped to over 8% and inflation decreased. Following the German example, interest rates were lowered in stages. For the first time in over four years money-market rates fell to a level almost below long-term interest rates.

During 1993 the retail sector had mixed fortunes. Despite a satisfactory level of retail sales, market rents for inner city shops continued to experience downward pressure. Market rents for well located shopping centres were unchanged. A weakness in the office market persisted throughout the year. New buildings continue to be constructed but there is no growth in demand. Vacancy levels in Randstad, the western part of the country, now exceed 10% and are expected to rise further for the next few years. For this reason, a fall in market rents, amounting to roughly ten per cent, could not be stopped, even in prime locations such as Amsterdam South.

Thanks also to intensive management, Wereldhave achieved good results for its Dutch portfolio. The policy, initiated at the end of the 1980's, to reduce the weighting in offices in favour of an increased emphasis on retail properties, has proved successful. The vacancy rate is negligible. The Kronenburg shopping centre at Arnhem-South was chosen as the location for the first Dutch branch of the American toy emporium chain TOYS"Я"US. In addition, recent renovations will increase the centre's image and boost future rental income. The renovation of the Etten-Leur shopping centre and the addition of approximately 5,000 m² of shopping and office space are proceeding steadily. The extension will soon be ready for occupation, having already been largely pre-let; this will provide an additional boost to the return on investment. In September the 'Winkelhof' shopping centre (15,000 m²), Leiderdorp, was acquired on a net yield of 8%. The investment was funded almost entirely from internal sources. The office buildings Assumburg/Nijenburg, Amsterdam, and 'The Red Elephant', The Hague, previously occupied by Esso, were sold. The proceeds were in excess of the book value at the end of 1992.

The first Dutch branch of TOYS"Я"US was opened in Wereldhave's shopping centre Kronenburg, Arnhem, in October 1993.

The share of shopping centres in the investment portfolio increased from 39% to 49%.

The valuation of the portfolio rose by 0.7%. The value at the year-end amounted to NLG 559 mln. It is expected that during 1994 the portfolio will again provide higher rental income.

Spain

Industrial production continued to fall in 1993. This, together with high interest rates, resulted in a further drop in investment. Unemployment continued to rise and now exceeds twenty per cent. The rate of inflation fell to approximately 4.5%. The Peseta continues to be weak in spite of the devaluation at the beginning of the year. Exports grew strongly, leading to a surplus on the current account, but Spain is still faced with a weak balance of payments.

Partly due to the depth of the domestic economic recession both the commercial letting and investment markets were weak. The vacancy rate in the central business districts of Madrid and Barcelona, Spain's most important office locations, has risen to over 9%. Market rents for good locations fell further and now range from ESB 2,200 to ESB 2,600 per m^2 per month in Madrid and ESB 2,000 to ESB 2,400 in Barcelona. With the absence of demand new lettings were low. Rent free periods of between three and six months together with generous contributions towards fitting-out costs have become a normal phenomenon. Also on the investment market no transactions of any size took place and therefore quoted yields of between 7.5% and 8% for good properties, based on current market rents, are no more than an indication.

With the completion of the office building 15, Calle Fernando El Santo, Madrid, Wereldhave had two office investment properties in the fourth quarter of 1993. The two development projects on the Rambla de Cataluña, Barcelona, both with offices and shops, are expected to be ready for occupation in the first half of 1994. Advance lettings of developments have proved to be nearly impossible in the current tenants' market, but in view of the quality of these buildings and their location Wereldhave expects that lettings will reach a reasonable level in the course of 1994.

In view of market developments the valuation of the Spanish portfolio was reduced by over thirty per cent and amounted to NLG 84 mln at December 31, 1993.

United Kingdom

The British economy recovered but the recession in Continental Europe prevented the volume of exports from growing and the recovery from gathering strength. Although the unemployment rate fell slightly, it remained at an exceptionally high level. Industrial restructuring and cost cutting increased productivity in the capital and consumer goods sectors. With growing confidence of the economic recovery continuing and further falls in interest rates, there was a moderate improvement in consumer expenditure. After leaving the EMS, Sterling began to track the US Dollar more closely. Inflation fell further and long-term interest rates dropped to historically low levels in the second half year.

With a few exceptions there were no increases in market rents in the retail sector. Consumer confidence in an economic recovery was still too hesitant. Nevertheless, a small increase in consumer

Entrance Hall, 65 Kingsway, London WC 2, following refurbishment.

credit may be interpreted as a sign that the worst is over for retailers. The steep fall in bond yields led to increasing investor interest in high quality retail properties. Towards the end of the year a number of prime shopping centres changed hands at a yield of under 7%. A similar development occurred on the investment market for prime office buildings. Investors are prepared to accept relatively low yields in return for a secure rental income stream over a period of ten to fifteen years.

Office vacancy rates fell slightly to 16% in the City of London and 14% in the central area of the West End. Practically no new building is taking place. Despite an increase in the demand for office accommodation in the West End, this has not yet led to an increase in market yields. Market rents for prime offices amount to approximately £25 per sq.ft. in the City and £30 in the West End. It is, however, noticeable that landlords are no longer willing to grant concessions to new tenants as they were in the recent past, when rent free periods of two or three years were by no means exceptional. Another phenomenon in the current market is the change from the traditional 25 year lease with 5 yearly 'upwards only' rent reviews to shorter leases. Limitation of the lease term to between ten and fifteen years, with so called break clauses, are now common.

Wereldhave's British portfolio produced good results in 1993. The Company was able to reduce the vacancy rate to a mere 4.5%. During the year under review eleven properties were sold. The proceeds exceeded the book value at the end of 1992. After a number of years with valuations written down drastically, 1993 ended with the modest positive revaluation of nearly 1%. The value of the portfolio at December 31, 1993 amounted to NLG 622 mln.

United States

Economic recovery continued in 1993, stimulated by rising consumer expenditure. Unemployment fell as the strengthening economy created new jobs, particularly in hi-tech industries and the services sector. The inflation rate remained relatively low. Notably, the budget deficit fell for the first time since 1989. After a slight fall there was a modest rise in interest rates in anticipation of stronger economic growth and higher inflation. As the negative interest differential against German rates narrowed there was scope for the US Dollar to appreciate.

The economic recovery is beginning, albeit hesitantly, to show in the letting market for offices in the main American cities. Overall, demand for office space, particularly from small new companies in the service sector, is increasing slowly. Since there is still an abundant supply of accommodation, market rents are still slipping. In downtown New York and Washington there were small falls in vacancy rates to 18% and 12% respectively. In Philadelphia and Dallas vacancy rates increased somewhat to 18% and 30% respectively.

As a result of intensive efforts to let accommodation, Wereldhave was able to maintain the vacancy rate practically at the 1992 level. Whereas vacancies in its buildings in Philadelphia and Dallas were reduced slightly, there was a small increase in the two buildings in New York. The office building in Washington is fully let. The average occupation rate across the portfolio amounts to sixty six per cent. Agreements on new service contracts and the renegotiation of existing ones permitted significant

Entrance Hall, 1401 New York Avenue, Washington D.C.

reductions in service and maintenance costs. Raising the occupation rate of the American buildings will be, as previously, the prime task for 1994.

The value of the portfolio was written down by 7.1% in 1993 and amounted to NLG 414 mln at the end of the year.

Organization and staffing

In addition to its Head Office in The Hague, Wereldhave has local management offices in Brussels, The Hague, Dusseldorf, London, Madrid, New York and Paris. Out of a total of 140 staff at the end of 1993, 93 were employed in the management offices.

Wereldhave considers a complete familiarity and presence to be a pre-condition to success in the various property markets in which it operates. The local organizations are responsible for managing the property portfolio. This covers market research, letting, rent collection, tenant relations, maintenance, administration and a number of other activities. They supervise renovation and development projects and advise the Board of Management on property transactions. In the immediate future urgent priority will be given to acquiring profitable new investments. We extend our heartfelt thanks to all our staff for their efforts and loyalty during the year under review.

Prospects

After a period of recession we are now experiencing an upturn in the international economy although there are still big differences from one continent to another. A certain quickening of the rate of growth is most evident in the United States where it can be seen in a rise in consumer expenditure and a marked improvement in productivity. The European economy is still weak but there are also signs of recovery. An acceleration in the pace of recovery can be clearly seen in the United Kingdom. There are encouraging signs in Germany, but spectacular growth is not expected, largely as a result of the high costs of unification. Given the low level of inflation there is scope for further interest rate cuts in Europe.

The main office markets in which Wereldhave operates continue to be confronted by high vacancy rates in 1994. In some markets however, vacancies can be expected to fall, improving the prospects for increases in market rents. Such an improvement is forecast to occur first in the United Kingdom and the United States. Lower interest rates will also have a favourable effect on commercial property values.

Wereldhave will adopt a cautious approach to new investments in the office sector. In the current economic climate retail rents, certainly in Europe, are expected to be more buoyant. Nevertheless, retailing of luxury items has not escaped the recession. Wereldhave is concentrating on well located shopping centres with a strong catchment area.

It is our intention to extend the property portfolio, with particularly emphasis on retail properties in Western Europe. The Company continues to pursue a policy of selective property disposals and will be investigating new markets. Property markets currently offer some interesting opportunities and Wereldhave is in a strong position to take advantage of these. The growth planned for the portfolio will be financed principally by the issue of shares, simultaneously strengthening the balance sheet. Wereldhave will guard against the dilution of earnings. An important criterion in undertaking new investments is that they contribute towards raising the direct investment result per share.

Higher rental income is forecast for 1994 from the existing retail portfolio, in view of the opportunities for raising rents to current market levels when leases come up for renewal. Pressures on market rents will have little effect on our office portfolio in 1994. In this respect one important mitigating factor is the wide variation in the original and remaining terms of current lease contracts. Ninety five per cent of budgeted rental income from investment properties for 1994 had already been secured by existing leases at the beginning of the year. Against this background Wereldhave expects to be able to earn a higher direct investment result per share in the current year.

Board of Management

G.C.J. Verweij

The Hague, February 24, 1994

WERELDHAVE

Accounts 1993

Consolidated balance sheet at December 31, 1993

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

	note	**1993**		1992	
Investments					
investment properties	1	**2,341.5**		2,530.9	
other investments	2	**76.9**		161.9	
			2,418.4		2,692.8
Working capital					
accounts receivable	3	**60.7**		64.9	
cash and bank balances	4	**201.3**		160.4	
short-term debt	5	**./. 239.2**		./. 263.6	
			22.8		./. 38.3
			2,441.2		2,654.5
Long-term debt					
loans	6	**./. 1,021.3**		./. 1,338.6	
other liabilities	7	**./. 10.1**		./. 10.2	
			./. 1,031.4		./. 1,348.8
Provisions	8		**./. 28.3**		./. 43.4
Shareholders' equity			**1,381.5**		1,262.3
Composition of shareholders' equity					
paid-up and called-up share capital	9		**278.7**		236.8
share premium	10		**1,320.3**		1,229.9
revaluation reserve	11		**—**		—
general reserve	12		**./. 217.5**		./. 204.4
			1,381.5		1,262.3

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

Consolidated profit and loss account for 1993

(× NLG 1 mln)

	note	1993		1992	
Investment income					
gross rental income	1	**232.7**		239.2	
operating costs	1	**./. 32.9**		./. 32.2	
net rental income	1		**199.8**		207.0
Costs					
interest	2	**./. 82.7**		./. 104.4	
general costs	3	**./. 15.8**		./. 17.3	
			./. 98.5		./. 121.7
direct investment result before tax			**101.3**		85.3
taxes on corporate income			**./. 0.4**		./. 0.1
Direct investment result			**100.9**		85.2

Movements in shareholders' equity for 1993

(× NLG 1 mln)

	1993		1992	
Direct investment result		**100.9**		85.2
Indirect investment result		**./. 89.3**		./. 324.6
Total investment result		**11.6**		./. 239.4
proposed dividend*	**./. 99.1**		./. 83.9	
retained cash dividends	**74.4**		—	
issues of shares	**132.3**		—	
		107.6		./. 83.9
Increase/decrease in shareholders' equity		**119.2**		./. 323.3

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:

	1993	1992
100 BEF	**NLG 5.38**	NLG 5.4675
100 FRF	**32.92**	32.945
100 ESB	**1.362**	1.5845
1 DEM	**1.1185**	1.1233
100 HUF	**1.9279**	2.164
1 GBP	**2.874**	2.752
1 USD	**1.939**	1.8141

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.

- *Securities*
  Securities are valued at their stock market quotations. Differences against the previous valuations are taken to the revaluation reserve.

Provisions

Provisions are created to meet possible future liabilities or risks. The provision for contingent tax liabilities represent the discounted value of contingent liabilities to taxation arising from differences against the valuation of 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. Service costs recoverable from tenants are not included in either rental income or in operating costs.

Operating costs

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

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 interest income and dividends on securities, attributable to the year under review.

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. Interest received includes the direct investment result incorporated in the proceeds of newly issued shares. Capitalized interest costs attributable to investments are deducted from the balance of interest paid and interest received.

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 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 and dividend. The 1992 bonus issue resulted in retained cash dividends in 1993.

The total investment result consists of the direct and 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, compensation is made from the general reserve.

Notes to the consolidated balance sheet at December 31, 1993

(x NLG 1 mln)

		1993	1992
1	**Investment properties**		
	balance at January 1	**2,530.9**	2,977.7
	exchange rate difference	**43.8**	./. 99.9
		2,574.7	2,877.8
	purchases/expenditures	**86.6**	23.1
	transferred from other investments	**73.8**	13.2
		2,735.1	2,914.1
	disposals	**./. 327.3**	./. 184.8
		2,407.8	2,729.3
	valuation adjustments	**./. 66.3**	./. 198.4
	balance at December 31	**2,341.5**	2,530.9
2	**Other investments**		
	balance at January 1	**161.9**	178.8
	exchange rate difference	**./. 14.8**	./. 19.0
		147.1	159.8
	purchases/expenditures	**31.0**	34.8
	transferred to investment properties	**./. 73.8**	./. 13.2
		104.3	181.4
	valuation adjustments	**./. 27.4**	./. 19.5
	balance at December 31	**76.9**	161.9

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

		1993	1992
3	**Accounts receivable**		
	prepaid costs (partly long-term)	**18.1**	20.3
	tax recoverable	**1.8**	3.4
	debtors	**14.7**	14.1
	other	**26.1**	27.1
		60.7	64.9

	1993	1992
4 Cash and bank balances		
bank term deposits	**158.0**	89.7
cash	**43.3**	70.7
	201.3	160.4

The average interest rate of the deposits is 5.9% at December 31, 1993 (1992: 8.6%). At December 31, 1993, the full amount of bank term deposits was freely disposable (1992: NLG 54.9 mln).

	1993	1992
5 Short-term debt		
Short-term portion of long-term debt	**30.2**	77.2
dividend	**99.3**	84.2
tax	**21.8**	16.5
fixed-term loans and overdrafts	**0.4**	12.5
creditors and other debts	**87.5**	73.2
	239.2	263.6

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

	1993	1992
6 Loans		
balance at January 1	**1,338.6**	1,490.7
add: short-term portion	**77.2**	10.1
	1,415.8	1,500.8
exchange rate difference	**16.2**	./. 8.9
new loans	**5.3**	270.4
redemptions	**./. 385.8**	./. 346.5
balance of principal	**1,051.5**	1,415.8
less: short-term portion	**./. 30.2**	./. 77.2
balance at December 31	**1,021.3**	1,338.6
Redemption scheme:		
1 to 2 years	**72.0**	313.6
2 to 5 years	**450.3**	440.0
5 years or more	**499.0**	585.0
	1,021.3	1,338.6

NLG 381.2 mln of the balance of principal of the loans is secured on property (1992: NLG 404.8 mln). The balance of principal can be illustrated as follows:

Currency	Distribution percentage		Average interest rate	
	1993	1992	**1993**	1992
NLG	**59.0**	47.3	**6.9**	7.6
BEF	**7.5**	11.2	**8.4**	8.9
FRF	**2.2**	11.2	**7.0**	11.4
ESB	**0.4**	2.2	**9.8**	14.5
DEM	**—**	0.1	**—**	7.0
GBP	**10.9**	10.8	**6.0**	7.6
USD	**20.0**	17.2	**7.7**	7.0
	100.0	100.0	**7.1**	8.2

7 Other long-term liabilities

This item consists of tenants' deposits.

8 Provisions

	1993	1992
provision for contingent tax liabilities	**28.3**	35.8
provision for extraordinary maintenance	**—**	7.6
	28.3	43.4

The whole provision for contingent tax liabilities is considered to be of a long-term nature.

The balance of the provision for extraordinary maintenance at the year-end is of a short-term nature and has been transferred to short-term debt.

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) **1993**	1992
ordinary shares	20	500,000,000	**271,169,780**	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	**301,169,980**	259,320,060
less: uncalled preference capital			**./. 22,500,000**	./. 22,500,000
		1,000,000,000	**278,669,980**	236,820,060

Change in issued share capital:	1993	1992
balance at January 1	**229.3**	229.3
stock dividend 1992	**16.4**	—
share issues	**25.5**	—
balance at December 31	**271.2**	229.3

At December 31, 1993 there are 13,558,489 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

balance at January 1	**1,229.9**	1,229.9
stock dividend 1992	**./. 16.4**	—
premium on share issues	**106.8**	—
balance at December 31	**1,320.3**	1,229.9

The share premium at December 31, 1993 includes an amount of NLG 1,289 mln exempted from tax (1992: NLG 1,198 mln).

11 Revaluation reserve

balance at January 1	**—**	—
valuation adjustments on investments	**./. 93.7**	./. 217.9
exchange rate differences	**2.0**	./. 112.6
movements in contingent tax liabilities	**0.3**	3.8
other movements	**2.1**	2.1
	./. 89.3	./. 324.6
from general reserve	**89.3**	324.6
balance at December 31	**—**	—

12 General reserve

balance at January 1	**./. 204.4**	118.9
retained cash dividends 1992	**74.4**	—
added according to proposal for distribution of profits	**1.8**	1.3
to revaluation reserve	**./. 89.3**	./. 324.6
balance at December 31	**./. 217.5**	./. 204.4

13 Items not included in the balance sheet

Forward currency transactions.
The forward currency option made during 1993 in BEF and ESB matured at the beginning of 1994 and these currency positions are no longer hedged.

Liabilities and commitments
At December 31, 1993 the Group can be held liable for an amount of NLG 6.5 mln (1992: NLG 5.9 mln). In the year under review the Company made a commitment for NLG 145 mln for the acquisition of a site and the construction of a shopping centre in Belgium. In addition, the Company gave an option to a third party to purchase property to an amount of NLG 85 mln.

Notes to the consolidated profit and loss account for 1993

(× NLG 1 mln)

1 **Rental income**

Rental income is specified as follows:

	Gross rental income		Operating costs		Net rental income	
	1993	1992	**1993**	1992	**1993**	1992
Netherlands	**53.7**	57.2	**5.8**	5.6	**47.9**	51.6
Belgium	**27.6**	27.0	**2.6**	2.5	**25.0**	24.5
France	**28.8**	32.5	**1.9**	1.0	**26.9**	31.5
Spain	**1.7**	2.0	**0.3**	0.2	**1.4**	1.8
Germany	**13.5**	12.2	**1.4**	1.2	**12.1**	11.0
Hungary	**0.8**	0.4	**0.1**	0.1	**0.7**	0.3
United Kingdom	**67.4**	72.3	**7.8**	11.2	**59.6**	61.1
United States	**39.2**	35.6	**13.0**	10.4	**26.2**	25.2
	232.7	239.2	**32.9**	32.2	**199.8**	207.0
Offices	**143.6**	147.1	**23.0**	22.5	**120.6**	124.6
Shops	**71.1**	71.5	**8.1**	7.8	**63.0**	63.7
Other	**18.0**	20.6	**1.8**	1.9	**16.2**	18.7
	232.7	239.2	**32.9**	32.2	**199.8**	207.0

	1993	1992
2 Interest		
interest paid	**103.2**	127.4
interest received	**./. 14.5**	./. 8.0
	88.7	119.4
less: capitalized interest costs	**./. 6.0**	./. 15.0
	82.7	104.4
3 General costs		
personnel	**13.7**	14.6
remuneration of Supervisory Board	**0.3**	0.3
external advisers, auditors and property valuation costs	**2.5**	3.0
other	**6.0**	6.3
	22.5	24.2
less: costs of asset management	**./. 6.7**	./. 6.9
	15.8	17.3

4 **Other**

Charged to the direct investment result are salaries to the amount of NLG 14.0 mln (1992: NLG 14.1 mln), social and collective securities contributions NLG 2.1 mln (1992: NLG 2.2 mln), and pension costs NLG 1.5 mln (1992: NLG 1.4 mln). The remuneration of the Board of Management and former Board Members amounts to NLG 1.9 mln (1992: NLG 1.0 mln) including voluntary social and collective security contributions and pension costs. An average of 142 people has been employed by the company during 1993 (1992: 154)

Consolidated statement of source and application of funds

(x NLG 1 mln)

	1993	1992
Source of funds		
direct investment result	**100.9**	85.2
capitalized interest costs	**./. 6.0**	./. 15.0
	94.9	70.2
sales	**327.3**	184.8
new loans	**5.3**	270.4
other movements in revaluation reserve	**2.1**	2.1
share issues	**132.3**	—
	561.9	527.5
Application of funds		
purchases/investments in properties	**111.9**	44.1
redemptions on loans (including short-term portion)	**338.8**	413.6
dividend	**24.7**	83.9
exchange rate differences	**10.5**	1.4
movements in provisions	**14.8**	3.8
movements in other long term liabilities	**0.1**	./. 0.8
	500.8	546.0
Increase/decrease in working capital	**61.1**	./. 18.5

Company balance sheet at December 31, 1993

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

	note	1993		1992	
Investments					
investments properties		**513.3**		504.1	
investments in group companies	1	**880.4**		961.5	
other investments	2	**610.6**		455.5	
			2,004.3		1,921.1
Working capital	3				
accounts receivable		**16.0**		31.3	
cash and bank accounts		**170.7**		141.9	
short-term debt		**./. 177.6**		./. 199.0	
			9.1		./. 25.8
			2,013.4		1,895.3
Long-term debt					
loans	4		**./. 631.9**		./. 626.4
Provisions			**—**		./. 6.6
Shareholders' equity	5		**1,381.5**		1,262.3
Composition of shareholders' equity					
paid-up and called-up share capital			**278.7**		236.8
share premium			**1,320.3**		1,229.9
revaluation reserve			**—**		—
general reserve			**./. 217.5**		./. 204.4
			1,381.5		1,262.3

Company profit and loss account for 1993

(× NLG 1 mln)

	note	1993	1992
direct investment result	6	**62.7**	59.8
result on investments in group companies		**38.2**	25.4
Operating result		**100.9**	85.2

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

Notes to the company balance sheet at December 31, 1993 and profit and loss account for 1993

(× 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 in group companies

Movements are as follows:	**1993**	1992
balance at January 1	**961.5**	1,237.9
investments during the year	**4.7**	118.8
sales/disposals	**—**	./. 219.9
	966.2	1,136.8
results	**38.2**	25.4
valuation adjustments	**./. 96.6**	./. 164.0
profit distributions	**./. 27.4**	./. 36.7
balance at December 31	**880.4**	961.5

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 484.4 mln (1992: NLG 347.7 mln) is included amongst other investments.

3 Working capital

On account of inter-company relations NLG 5.0 mln (1992: NLG 2.9 mln) is included amongst accounts receivable and NLG 1.2 mln (1992: NLG 46.9 mln) amongst short-term debt.

Short term debt includes the sum needed to meet dividend obligations in respect of the 1993 financial year should all shareholders opt for a cash dividend.

4 Loans

On account of inter-group relations NLG 286.3 mln (1992: NLG 123.3 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 25.7 mln for the excess of interest income over interest charges (1992: NLG 26.5 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 443 mln (1992: NLG 500 mln).

Supervisory Board

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

Board of Management

G.C.J. Verweij

The Hague, February 24, 1994

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 10.25% on the outstanding preference shares to a total amount of NLG 768,760, 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 18, 1994. That part of profits which is not paid out in cash will be added to the general reserve.

	1993	1992
Operating result	**100.9**	85.2
Preference dividend (incl. dividend on 'A' priority shares)	**0.8**	0.8
Ordinary dividend*)	**98.3**	83.1
Addition to general reserve	**1.8**	1.3
	100.9	85.2

*) On the assumption that the cash dividend is paid in respect of all outstanding ordinary shares.

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 Board of the Foundation consists of Messrs H. Zomerplaag (Chairman), H.J.A.F. Meertens 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.

The Company and the Board of the Foundation jointly and severally declare that, to the best of their knowledge and belief, the Foundation is independent of the Company as defined in Annex X of the Fondsenreglement (Listing & Issuing Rules) of the Amsterdam Stock Exchange.

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 1993 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, 1993 and the results for the year then ended and also comply with the other Dutch legal requirements for financial statements.

COOPERS & LYBRAND

The Hague, February 24, 1994

Investment properties at December 31, 1993

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

Location	Type	m²	Parking spaces	Year of construction or renovation	Annual rent 1994 (x NLG 1 mln)
Belgium					
Brussels					
1-8 Boulevard Bischoffsheim	office	12,800	150	1988	6.0
22-25 Boulevard Bischoffsheim	office	6,000	64	1990	2.4
139-141 Koningsstraat	office	5,000	48	1976	1.9
41 Kunstlaan	office	3,500	55	1990	1.6
22 Muntplein/Schildknaapstraat	office	7,700	34	1987	2.3
58 Regentlaan	office	3,100	34	1975	1.4
Nijvel					
10 Steenweg op Bergen	shopping centre	15,400	800	1986	2.2
Doornik					
22 Boulevard Walter de Marvis	shopping centre	7,500		1979	1.5
Properties with an open market value less than NLG 10 mln		11,700			4.0
		72,700			23.3
Germany					
Frankfurt					
21 Taunusanlage	office and shops	4,700	4	1990	4.5
France					
Paris and environs					
145-149 Rue de Courcelles	office	4,500	24	1987	3.1
29-30 Quai de Dion Bouton; Puteaux	office	18,100	411	1987	7.9
56 Rue du Faubourg Saint Honoré/ 4-14 Rue d'Aguesseau (50%)	office	6,400	50	1986	6.1
Shopping centre Parinor, Le Haut de Galy; Aulnay-sous-Bois	shopping centre	32,200		1974	13.8
		61,200			30.9
Hungary					
Budapest					
Properties with an open market value less than NLG 10 mln	office	3,200	37		1.8
The Netherlands					
Amstelveen					
Shopping centre Binnenhof, 10 Binnenhof (50%)	shopping centre and office	9,850		1988	4.5
Arnhem					
Shopping centre Kronenburg, 1-13 Kronenburg Passage (leasehold till 2110)	shopping centre and office	34,000	1,000	1985	12.3
Best					
4 Brem	other commercial space	11,300	690	1971	1.5
Doorn					
Park Boswijk, Boswijklaan	apartments	33,300		1974	3.7
Etten-Leur					
Shopping centre Etten-Leur, 1-72 Winkelcentrum	shopping centre	14,500		1980	2.9
Geldrop					
62-87 De Heuvel	shops with apartments	5,700		1973	1.2
The Hague and environs					
10-14 Carnegielaan	office	4,100	59	1988	1.2
366-370 Sir Winston Churchilllaan; Rijswijk	office	50,000	656	1986	11.7
1-8 Koningin Julianaplein	office	11,600	78	1993	3.1
2-6 Nieuwe Havenstraat; Voorburg	office	19,000	351	1988	3.4
12 Veraartlaan; Rijswijk	office	5,600	87	1991	1.5
Leiderdorp					
Shopping centre Winkelhof, Winkelhof	shopping centre	14,800	750	1990	4.7
Nuth					
15 Thermiekstraat	other commercial space	17,000	690	1987	2.2
Properties with an open market value less than NLG 10 mln		11,700			2.5
		242,450			56.4
Spain					
Madrid					
2 Plaza de la Lealtad	office	3,000		1972	1.4
15 Calle Fernando El Santo	office	3,250	41	1993	1.6
		6,250			3.0

Location	Type	m²	Parking spaces	Year of construction or renovation	Annual rent 1994 (x NLG 1 mln)
United Kingdom					
Gravesend					
Anglesea Centre	shopping centre	8,900	350	1988	2.7
London and environs					
126 / 134 Baker Street, W1	shops	1,700		1935	1.2
76 Cannon Street, EC4 (leasehold till 2138)	office	800		1988	1.5
The Carnaby Estate, W1	shops and office	27,300	2	divers	17.4
14-18 Eastcheap, EC3 (leasehold till 2128)	office	5,200		1991	3.5
11 / 12 Haymarket, SW1	office	1,100		1988	1.5
65 Kingsway, WC2	office	6,000		1986	3.7
1,3,5 Lower George Street and 1 Eton Street, Richmond-upon-Thames	shops	2,900	10	1963	1.2
56 / 70 Putney High Street, SW15	shops	4,200	44	1971	1.4
10, 11 & 12 Thames Street and 1, 2 / 5 Curfew Yard, Windsor	office	1,500	53	1972	1.1
31-36 Foleystreet	office	3,300	12	1993	1.0
Sheffield					
Penistone road	shops	3,900		1986	0.8
Redhill					
Grosvenor House, 65 / 71 London Road	office	4,700	150	1986	2.3
Sittingbourne					
Trinity Trading Estate	other commercial space	36,500	200	1982	4.9
Whyteleafe					
439 / 445 Godstone Road	office	7,300	270	1964	1.9
Properties with an open market value less than NLG 10 mln		89,500			23.9
		204,800			70.0
United States					
Dallas					
1910 Pacific Place	office	29,700	14	1982	7.3
Philadelphia					
1515 Market Street	office and shops	46,900		1986	16.0
New York					
20 Exchange Place	office	60,400		1985	15.6
83 Maiden Lane	office and shops	12,700		1985	2.3
Washington D.C.					
1401 New York Avenue	office	17,800	165	1984	8.1
		167,500			49.3
Total		762,800			239.2

All properties are freehold unless otherwise stated. For properties which are not 100%-owned, the surface areas, number of parking spaces and the annual rent are shown on pro-rate base. The gross annual rent is calculated on the assumption that the buildings are fully let. At December 31, 1993, 83,900 m² of floor space, representing 11% 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-Gemako, The Hague
DTZ Zadelhoff Makelaars, The Hague
Müller Management GmbH, Dusseldorf
Healey & Baker v.o.f., Brussels
Hillier Parker, London
Healey & Baker, Paris
Nienhuis Luiten, Eindhoven
Healey & Baker, Amsterdam
Arthur Andersen & Co., Atlanta
Healey & Baker, London
Richard Ellis S.A., Madrid
Jones Lang Wootton, Madrid

Summary of investment properties

The following is a summary of the open market value of the Group's investment properties at December 31, 1993. In accordance with Group accounting practice valuations in currencies other than Dutch Guilders have been converted at rates of exchange ruling at December 31, 1993. The annual rent is calculated on the assumption that the buildings are fully let before deducting operation costs.

(× NLG 1 mln)	Offices		Shops		Other Properties		Total	
	open market value	annual rent	open market value	annual rent	open market value	annual rent	open market value	annual rent
Belgium	190.4	15.7	58.1	5.9	15.6	1.7	264.1	23.3
Germany	75.1	4.1	10.2	0.4	–	–	85.3	4.5
France	199.3	17.1	174.6	13.8	–	–	373.9	30.9
Hungary	14.3	1.8	–	–	–	–	14.3	1.8
Netherlands	206.5	23.3	266.3	25.6	67.3	7.5	540.1	56.4
Spain	30.4	3.0	–	–	–	–	30.4	3.0
United Kingdom	246.7	27.8	281.2	31.7	91.1	10.5	619.0	70.0
United States	401.8	47.9	12.6	1.4	–	–	414.4	49.3
Total	1,364.5	140.7	803.0	78.8	174.0	19.7	2,341.5	239.2

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 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.

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 a part of local taxes are for the landlord's account.

The 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: structural maintenance and insurance are 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; escalation clauses exist for increases in property taxes, electricity and wages.

Development properties

(Projects with a value above NLG 10 mln)

The Netherlands

Etten-Leur

Winkelcentrum 1-72 — Extension with 5,000 m² retail and office space. Freehold.

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.

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WERELDHAVE

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