



WERELDHAVE

ANNUAL REPORT

1994



Annual Report 1994 Wereldhave N.V.

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Wereldhave in brief

Mission and corporate aim

- **Wereldhave's** mission is to make available, when and where needed, commercial property for rent.
- The objective is to offer 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 dates for the entire portfolio.

Financing and currency management

- **Wereldhave's** operation is financed by both equity and loan capital.
- The Company reduces currency risks through 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 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 does not pay Corporation Tax in the Netherlands.
- **Wereldhave** is licensed to operate as an investment company under the Dutch Wet toezicht beleggingsinstellingen (Investment Funds Supervision Act).

Financial calendar

- Annual General Meeting of Shareholders : March 30, 1995
- Payment date of the 1994 dividend : April 10, 1995
- Publication 1995 first quarter report : May 8, 1995
- Publication of 1995 half-year report : August 18, 1995
- Publication of 1995 nine-months report : November 3, 1995
- Publication of 1995 Annual Report and Accounts : March 1996

Information

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



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 (Chairman)
R.L.M. de Ruijter

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, 1994. 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 tax free dividend in the form of bonus shares to be charged to the share premium reserve, the distribution ratio to be announced on March 24, 1995.

At the Annual General Meeting of Shareholders on March 24, 1994, Mr R.L.M. de Ruijter was appointed as Member of the Board of Management of Wereldhave N.V. At the Annual General Meeting of Shareholders on March 30, 1995, Messrs F.H.J. Boons and P.J. Vinken 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 23, 1995

Summary of past 5 years

	1994	1993	1992	1991	1990
Results					
(× NLG 1 mln)					
Net rental income	180.9	199.8	207.0	211.4	193.5
Direct investment result	110.2	100.9	85.2	92.8	95.1
Indirect investment result	./ 124.5	./ 89.3	./ 324.6	./ 326.8	./ 92.3
Balance sheet					
(× NLG 1 mln)					
Investments	2,458.4	2,418.4	2,692.8	3,156.5	3,374.5
Shareholders' equity	1,402.2	1,381.5	1,262.3	1,585.6	1,904.3
Long-term debt	923.6	1,031.4	1,348.8	1,500.1	1,415.8
Issued ordinary shares of NLG 20 nominal value at December 31					
(in numbers)	14,811,497	13,558,489	11,465,993	11,465,993	11,407,817
Statistics per ordinary share of NLG 20					
(× NLG 1) ¹⁾					
Net asset value	94.17 ²⁾	101.34	108.18	136.05	164.36
Direct investment result	7.40	7.38	7.28	7.96	8.18
Indirect investment result (incl. other)	./ 7.32	./ 6.97	./ 27.98	./ 28.36	./ 8.00
Dividend	7.25	7.25	7.17	7.91	7.91
	or ... % ³⁾	or 6.25%	or 8%		

¹⁾ The amounts per share up to and including 1992 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 24, 1995.

Report of the Board of Management

Introduction

After a period of stagnation the economies of Western Continental Europe showed a distinct improvement in 1994. In the United Kingdom and the United States, where the recovery from recession had already taken place, the pace of economic growth quickened further to 3.5% and 3.9% respectively. It is worth noting that successive growth forecasts had to be revised upwards for both Western Europe and the United States. The monetary authorities have shown no hesitation in raising interest rates to allay fears of an increase in the rate of inflation. Whereas the rise in interest rates at the beginning of the year was initially viewed as no more than a temporary aberration, subsequent developments have proved the opposite to be the case. With inflation remaining low and long-term interest rates increasing there was a considerable rise in real interest rates.

As was the case in 1993 the commercial property markets presented a divergent pattern in 1994. In many instances there is still a substantial oversupply of office space. Nevertheless, rental levels are beginning to stabilize on most markets and here and there there has been a slight improvement. However, with the rise in long-term interest rates, there has not to date been any noticeable positive effect on valuation levels. There will not be any clear improvement in market rent until there is both economic recovery and a substantial increase in employment. Given the uncertain short-term prospects for most office markets it comes as no surprise that institutional investors are concentrating their attention on the retail property sector where, generally speaking, rental income streams are more stable than for offices. In a number of countries increased demand in the retail sector has led to investors making purchases at initial yields below capital market levels.

Against this background Wereldhave again achieved good results for 1994. The direct investment result increased to NLG 110.2 mln (1993: NLG 100.9 mln). With an increase of over 9% in share capital fractionally higher earnings per share of NLG 7.40 (1993: 7.38) were achieved. The distri-

bution of a cash dividend of NLG 7.25, with the alternative of a tax free dividend in the form of bonus shares, charged to the share premium reserve, will be proposed at the Annual General Meeting of Shareholders.

The steady advance in share prices quickly came to an end during 1994. The barometer of the Amsterdam Stock Exchange, the AEX-index, only rose by a minute 0.3 points to close the year at 414.5, after sinking to a low point of 374.4 at the end of June. The share prices of the Dutch international property investment companies also came under pressure, falling in the course of the year to below net asset value. Whereas the upswing in their prices was initially interest rate related, movements were subsequently more closely linked to expectations of investment results and dividends. Early in the year Wereldhave issued more than 821,000 new shares at the then current market prices, which were above net asset value. In addition to these, 431,800 new shares, approximately fifty per cent of the maximum possible number, were issued as a result of shareholders' opting to take their 1993 dividend in the form of bonus shares. The proceeds of these new issues were applied towards funding new investments and repaying borrowings.

During the year under review NLG 207 mln was spent on the purchase of properties in Belgium and the United Kingdom. Sales in the Netherlands and the United Kingdom realized NLG 40.7 mln which was in excess of book value at the end of 1993. As a result of market developments the valuation of the portfolio was adjusted downwards by 2.6% in local currency (1993: 3.7%).

At the end of 1994 the portfolio was valued at NLG 2,458 mln. Net asset value per ordinary share, after the proposed distribution of profits, amounted to NLG 94.17 at December 31, 1994 (1993: NLG 101.34).

Financial review

Results

The direct investment result rose by 9% to NLG 110.2 mln (1993: NLG 100.9 mln). Interest charges fell sharply with NLG 27.7 mln to NLG 55

mln. This more than made up for the drop in gross rental income with NLG 18 mln to NLG 214.7 mln (1993: NLG 232.7 mln). Profit per share, calculated for the increased share capital, amounted to NLG 7.40 (1993: NLG 7.38).

The principal cause of the fall in gross rental income was the disposal of properties during the final quarter of 1993. Rental income from the remainder of the portfolio held up well, partly due to that from the retail properties. Loss of rental income due to voids amounted to 7.7% (1993: 7.9%). The increase in operating costs can be explained partly by the amortization of increased letting expenses. General costs were unchanged. The principal reason for the fall in interest charges was the redemption of loans with the funds from the disposal of assets and the issue of shares.

The indirect investment result amounted to ./, NLG 124.5 mln (1993: ./, NLG 89.3 mln). The net asset value per ordinary share after distribution of profits amounted to NLG 94.17 at December 31, 1994 (1993: NLG 101.34). The table below illustrates movements in net asset value per share:

(x NLG 1)	1994	1993
Net asset value at January 1, before distribution of profits	108.59	115.35
Less: previous year's dividend	7.25	7.17
	<hr/>	<hr/>
Direct investment result	101.34	108.18 ^{*)}
Revaluation	7.40	7.38
Exchange rate differences/ other movements	./, 4.35	./, 7.63
Effect of share issues	./, 4.06	0.36
Effect of 1993 bonus issue	0.64	0.30
	0.45	-
	<hr/>	<hr/>
Net asset value at December 31, before distribution of profits	101.42	108.59
Less: (proposed) cash dividend	7.25	7.25
	<hr/>	<hr/>
Net asset value per December 31, net of (proposed) cash dividend	94.17	101.34
	<hr/> <hr/>	<hr/> <hr/>

^{*)} Adjusted for the 1992 bonus issue

Equity and debt financing

Wereldhave has further improved shareholders' equity so as to be in a position to make further investments in the second half of the 1990's whilst retaining sound financial ratios. The number of ordinary shares in issue was increased by 9.24% to 14.8 million. There was a net increase in shareholders' equity after the proposed distribution of profits to NLG 1,402 mln, equivalent to 60% of total assets (1993: 57%).

New equity and the proceeds from the sale of property were utilised in part to reduce the level of borrowing. It has been decided to finance a relatively high share, over 70% at the end of 1994, of long-term borrowings at variable rates. Important reasons for doing so are the wide gap, approximately 2.5% - 3%, between long-term and short-term rates and the prospects for balanced economic growth and moderate inflation. As a result the average rate on borrowings at the end of 1994 amounted to 7.2% (1993: 7.1%).

Wereldhave successfully launched a Commercial Paper Programme on the Belgian market so as to finance the building of the Belle-Île shopping centre in Liège, which is due to open in 1995 six months ahead of schedule. It is anticipated that this short-term funding will be replaced by long-term finance during 1995.

Currencies

The 10.5% depreciation of the US Dollar and the 5.7% depreciation of Sterling over the year had an unfavourable effect on the value of the American and British portfolios. It is Wereldhave's policy to finance portfolios in local currency with a percentage that is equivalent to the share of total Group borrowings to total investments. Exceptions to this rule are possible in special circumstances or in the case of increased risk. The effects of currency fluctuations are thus reduced. On balance, currency movements had hardly any effect on the direct investment result during the year under review.

Dividend

Wereldhave aims to implement a stable dividend policy with a high pay-out ratio so that sharehol-

Retail warehouse (2,930 m²) in Yeovil, Somerset (U.K.), purchased in 1994.

ders benefit from the company's performance. Under the Dutch law governing investment institutions, Wereldhave is obliged to distribute at a minimum the profit as calculated for tax purposes. The distribution requirement can be reduced for tax purposes by capital losses to the extent that they can no longer be charged to the re-investment reserve. The result is again that Wereldhave is not obliged to pay a cash dividend in respect of 1994. On the other hand the Company is entitled to propose an optional dividend and shareholders are being given the opportunity to choose between a tax free dividend in the form of bonus shares, charged to the tax-exempted share premium reserve, or a cash dividend of NLG 7.25 per ordinary share. The distribution rate for bonus shares will be announced on March 24, 1995. The Board of Management consider the choice for a dividend in shares not only to be justified in the light of expectations for the 1995 results but also desirable with a view to financing new investments.

Share price performance

Initially Wereldhave's share price was strongly influenced by movements in long-term interest rates. The price peaked at NLG 131 in mid-February and subsequently fell back with the strong rise in interest rates whilst inflation remained low. The lowest point of NLG 92.30 was reached at the end of October. At that moment the share had a dividend yield of 7.85%. In 1994, the average daily stockmarket turnover was around 25,000 shares.

(x NLG 1)	1994	1993	1992
Highest price	131.00	122.50	123.20
Lowest price	92.30	79.00	70.10
Closing price	98.40	118.50	78.50

The most recent disclosures (dating from 1992 and 1993) made under the Dutch Wet Melding Zeggen-schap (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 Beroepspensioenfonds Artsen (Pension Fund for General Practitioners & Medical Special-



ists) 10.12%, Stichting Pensioenfonds voor de Gezondheid, Geestelijke en Maatschappelijke Belangen (Health & Social Services Pension Fund PGGM) 20.91%, Stichting Pensioenfonds Rabobank-organisatie (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

World economic recovery continued in 1994. In the United States the pace of economic growth quickened to 3.9% and 3.5% in the United Kingdom. Substantial overcapacity and a strong currency held back economic growth in Japan to approximately 1%. Elsewhere in the Far East however, growth was remarkably high.

High growth rates have enabled the countries of Continental Europe to increase their exports rapidly and this has induced economic recovery earlier than had been predicted. Export growth is expected to lead to a recovery in corporate investment which will, in time, provide more leeway for higher consumer expenditure. Contemporaneously, measures can be expected to make a sharp reduction in public budget deficits which casts a certain shadow on this otherwise attractive scenario. Such measures flow from the convergence criteria set for admission to the European Monetary Union at the end of the 1990's. Nevertheless the new, enlarged European Community is now enjoying a period of clear economic recovery.

It is to be expected that there will continue to be differences between the stages of the economic cycle at which the various regions find themselves at any given moment. This will help restrain inflation

and this effect will be reinforced by the need to force back public sector deficits in Europe and by technological changes already underway. These changes have the following implications:

- enlargement of the scale of production and mergers between large organizations in order to control the costs and risks attached to the implementation of new technologies and the introduction of new products
- accelerated economic obsolescence of products and methods of production
- cost cutting through automation and outsourcing
- more intensive price competition.

In contrast to the situation in the United States and Japan technological change has led to extremely high unemployment in Europe. This is primarily the result of labour market rigidity and a generous social security system. High unemployment and rapid increases in productivity of labour help to reduce the likelihood of inflation in wages. Higher inflation is more likely to be sparked by commodity prices and indirect taxes. One of 1994's remarkable developments was the steep rise in interest rates throughout the world despite inflation remaining low. This occurrence can be largely explained by the fact that money-market rates in the United States had been kept artificially low. At the beginning of 1994 the figures for economic growth and the consequent fear of higher inflation led the Federal Reserve Board to raise short-term rates modestly. This was the signal for investors with large bond portfolios financed by short-term loans to dispose of their investments. The massive sales of bonds depressed prices so that long-term interest rates rose sharply within a short period of time. In Continental Europe, where the economic cycle permitted further falls in money-market rates, long-term rates rose by almost as much as in the United States. This was an important factor which contributed to the unexpected weakening of the US Dollar in the course of 1994. Further increases in short-term rates in the United States have lessened fears of rising inflation and the gap in real interest rates between Europe and the United States has narrowed. This undoubtedly helped to stabilize the value of the US Dollar at the end of 1994.

Emphasis on direct investment result

Wereldhave considers a property company's investment in accommodation to be the equivalent to investing in capital goods. In Wereldhave's opinion a successful approach to commercial property requires an entrepreneurial outlook. This finds its expression in the investment and disinvestment policy and the manner in which the portfolio is managed. Unlike many property investors Wereldhave has integrated the functions of investment policy and property management within a single organization. Wereldhave has its own professional management organization with offices in the countries in which it operates. This enables the efficient provision of a range of services matching tenants' needs and ensures a satisfactory return to shareholders.

Wereldhave does not view growth by additions to the property portfolio as an end in itself but as a means towards maintaining and raising the earnings per share. Timely adjustments to the portfolio through the acquisition and disposal of investments is of paramount importance. The assessment of potential new investments takes place according to a standard methodology which considers parameters set for each country and type of property, in principle over a 5-year period. All new investments must make the required contribution to earnings per share. This involves the cash flow which the property in question is estimated to generate over the longer term. In addition to the impact on the direct investment result an assessment takes place into how the value of the property is likely to develop in the years to come and its effect on shareholders' equity. Parameters used in the projections include: market and contractual rents, likely vacancy levels, operating costs, the contribution to general costs, the financing structure and funding costs, required returns on investment, currencies and inflation. In judging a project Wereldhave also considers the investments which are expected to be required to ensure that the property in question will meet requirements of future tenants.

The advantage of this systematic and consistent approach is that a number of different scenarios can

be modelled by altering the parameters. This forces the organization to form as accurate a picture as possible of the main determinants of supply and demand for commercial property on the rental and investment markets. The local offices have an important responsibility in this respect by collating reliable and up-to-date information affecting future market conditions. They must determine which parties will be seeking accommodation in future and the specific demands which they will place on the type of property and its location. The timely recognition of these developments and the exploitation of market imperfections are essential for an effective investment and disinvestment policy.

The rapidity at which changes in the property markets take place, justifies the special attention Wereldhave pays to the development of earnings per share. After the property boom of the 1980's owner-occupiers and investors have seen their property values and income fall sharply. Economic and technical obsolescence are now affecting commercial property at a much earlier stage than has been the case in the past. A number of markets are showing signs of saturation as can be seen from the steady reduction of the share in new building as compared with the total of all current construction activity. In office rental markets where supply substantially exceeds demand, buildings which fall empty and have not been updated to current tenants' requirements are proving to be unlettable. Belated refurbishment or redevelopment for alternative uses, assuming this is technically feasible, requires considerable investment.

Shopping centres require constant updating to modern standards. Among the areas involved are good inwards facilities, special requirements of the major international retail chains, electronic payment systems, access and parking of motor vehicles, consumer behaviour and security at the centres. Extension of opening hours in the retail sector and the consequences for the various interest groups involved are once more the subject of discussion in a number of countries. These changes place heavy demands on the management of shop-

ping centres. Property and retail expertise are absolutely necessary for any property company seeking to operate successfully in this sector.

The aforementioned developments in combination with today's high real interest rates and low inflation make it inevitable that commercial property companies such as Wereldhave require higher initial yields than those which have been judged adequate in the past. In addition they force portfolio valuations to be in line with market prices to provide the necessary flexibility to make timely changes to the portfolio should market developments so require.

Investments

General

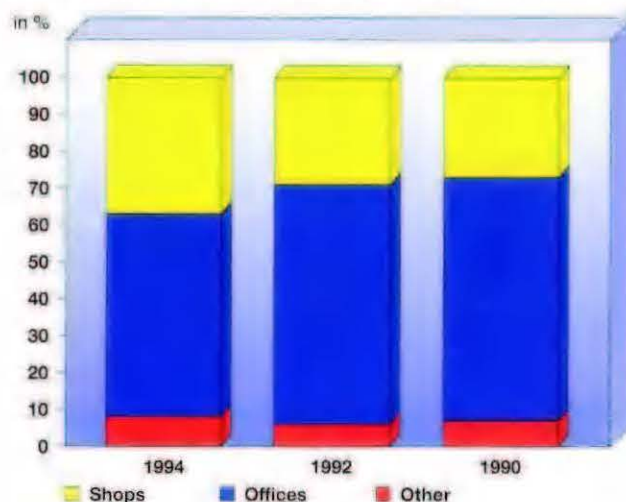
The following table makes a comparison of the composition of the investment property portfolio and the geographical distribution of the investments over the period 1990-1994:

	1994	1993	1992	1991	1990
Distribution of investment properties (%)					
Shops	37	35	29	28	27
Offices	55	58	65	66	66
Other commercial	8	7	6	6	7
Geographical distribution of investments (%)					
Belgium	17	11	13	11	10
Germany	4	4	8	7	5
France	13	15	15	16	16
Hungary	1	1	< 1	< 1	-
Netherlands	22	23	20	18	18
Spain	3	3	5	5	4
United Kingdom	26	26	23	29	35
United States	14	17	15	13	12

At the end of 1994 shops accounted for 41% of the total portfolio including development properties. Offices accounted for 52% and other commercial properties for 7%. Purchases of NLG 207 mln were made in the United Kingdom and Belgium. Sales of investment properties took place in the Netherlands and the United Kingdom. The sales proceeds of NLG 40.7 mln were in excess of book value at December 31, 1993. In addition, NLG 26 mln was invested on improvements of the portfolio, including the extension of properties. During the year under review the valuation of the portfolio was lowered by 2.6% (1993: 3.7%). Downward adjustments took place in France, Spain and the United States. There was practically no change in the valuations in Belgium, the Netherlands and Germany. The United Kingdom and Hungarian portfolios were revalued upwards.

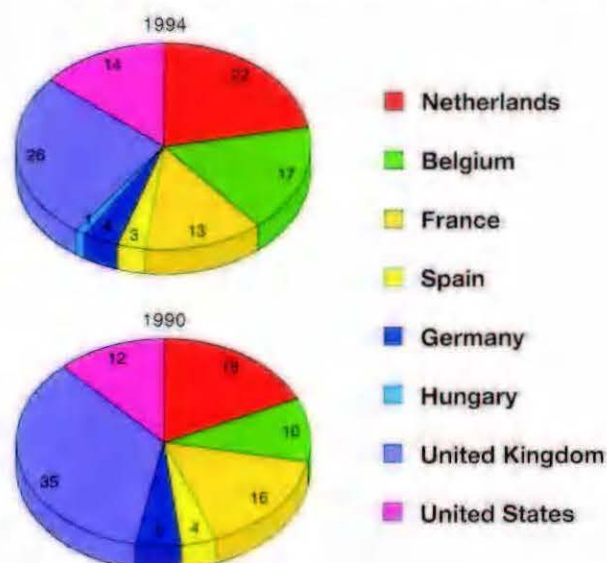
At December 31, 1994, the value of the Group's total portfolio amounted to NLG 2,458 mln.

Distribution of investment properties



During the last eight years the sale of properties has realized NLG 1,350 mln, equivalent to an annual average of approximately 7% of the portfolio.

Geographical distribution of investments (in %)



Sales proceeds and sales profit 1987-1994
(investment properties and trading portfolio)

Net proceeds
(x NLG 1 mln)

	Nether- lands	Bel- gium	France	Ger- many	U.K.	U.S.	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
1993	67.5	79.6	-	147.0	44.4	-	338.5
1994	10.3	-	-	-	30.4	-	40.7
	335.9	129.2	177.3	147.0	541.6	18.9	1,349.9

Net proceeds

(as a % of bookvalue)

	Nether- lands	Bel- gium	France	Ger- many	U.K.	U.S.	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
1993	113	96	-	104	102	-	103
1994	103	-	-	-	102	-	102
	105	108	101	104	116	104	109

As the table shows sales proceeds exceeded the book value as determined by the most recent valuations in the vast majority of cases. No account has been taken of currency movements.

The key economic figures reproduced in the following individual market reviews have been drawn from the December 1994 edition of the OECD publication 'Economic Outlook'.

Belgium

	1994	1993
Economic growth	2.3%	-1.7%
Inflation	2.5%	2.6%
Growth in private consumption	1.0%	-1.0%
Growth in employment	-0.4%	-1.3%
Unemployment rate	12.6%	11.9%

The rental market for office buildings in Brussels showed little change in 1994. The take-up of office space amounted to approximately 200,000 m². Total office space amounts to over 7.7 million m². There was a further rise in the vacancy level in the Brussels conglomeration to 8.4%. The properties affected are mainly the older buildings which have not been refurbished. Market rents for prime city-centre locations are around BEF 7,500 per m² and between BEF 6,000 and BEF 7,000 per m² for well-found buildings on the outskirts. Admittedly foreign investors are showing interest in the top segment of the market but the decisions to purchase is taking a long time to materialize. Initial yields are between 7% and 7.25% for modern offices in the best locations and 8% or more for older ones. A restrictive policy towards the issue of building permits and the recent enlargement of the European Community are expected to reduce vacancy levels and market rents should stabilize at around current levels.

Market rents in the top segment of the retail market have developed satisfactorily, both for shopping centres and inner-city shops. Larger units in good locations are scarce and particularly sought after by expansive shopping chains. Market rents for shops in secondary locations continued to be under pressure. Here too institutional investors are showing an increasing interest in investing in shopping centres. However, as a result of Government policy on the granting of construction permits for new shopping centres the investment opportunities are limited.

Again in 1994, Wereldhave achieved good results in Belgium. Loss of rental income due to voids amounted to well over 2%. Considerable increases

in rental income were achieved on retail properties both through the re-negotiation of existing contracts and also new lettings. Construction of the Belle-Ile shopping centre (30,000 m²) in Liège, which commenced in January 1994, has progressed extremely well. Belle-Ile is already fully let and opens on March 23, 1995 – six months ahead of schedule. The centre has a Maxi GB supermarket covering 10,000 m² and 98 shops varying in size between 40 m² and 1,800 m², housing a wide variety of retailers. Belle-Ile will be managed by Wereldhave Management Belgium, Wereldhave's in-house management organization, which also played an important part in letting the centre's available space.

The value of the Belgian portfolio remained practically unchanged over the year. The portfolio, of which well over 50% consists of shops and shopping centres, was valued at NLG 413.1 mln at the end of 1994.

Germany

	1994	1993
Economic growth	2.8%	-1.1%
Inflation	2.6%	3.9%
Growth in private consumption	1.2%	0.5%
Growth in employment	-0.8%	-1.8%
Unemployment rate	9.6%	8.8%

There was no improvement during 1994 on the office markets of the major German cities. Although there was increasing demand for office space from the services sector, total demand was insufficient to absorb new office space coming on stream. The vacancy rate has again increased somewhat and the average level is now about 5%. Frankfurt is in an exceptional position with a vacancy rate that has risen to approximately 8%. As in other European business centres the excess supply is concentrated in older buildings and in second-rate locations. Market rents for well-sited modern buildings have fallen slightly and initial yields on such properties are between 5.5% and 6%.

Retail sales volumes continue to stagnate, with real disposable income under pressure, partly as a result of fiscal measures in the wake of re-unification. It is estimated that in the period 1995-1997 around one million m² of new retail space will come onto the market. The main part, roughly 90%, is being built in the East. All things considered there seems to be little scope for improvement in market rents in this sector of the property market in the near future.

After the large-scale disposals of properties in 1993 Wereldhave's German portfolio consists of a single office building, situated on the Taunusanlage in the centre of Frankfurt. This building is fully let. In view of the relatively low initial yields in both the office and retail sectors, compared to other European countries, Wereldhave did not add any properties to its German portfolio in 1994. The Company sees few opportunities arising to do so in the near future and has therefore decided to close down the local management office in the course of 1995. The Company's Dutch office will continue to look for investment opportunities in Germany.

There was no change in the valuation of the portfolio. The value amounted to NLG 85.4 mln at the end of 1994.

France

	1994	1993
Economic growth	2.2%	-1.0%
Inflation	1.8%	2.1%
Growth in private consumption	1.5%	0.7%
Growth in employment	-0.6%	-1.2%
Unemployment rate	12.6%	11.7%

The French retail sector is subject to a rigidly enforced and restrictive set of rules governing both the construction of and extensions to new shopping centres and large scale retail warehouses. The relatively attractive returns generated by this type of property and the fact that the office market is still depressed largely explain the increased interest on the part of institutional investors and property companies for investment in this sector of the market.



Shopping centre Belle-Ile, Liège, under construction. Above left the bridge over the Ourthe Canal, one of the access routes to the centre.





Shop of the French retail chain Camaïeu in the Galerie Marchande of the Parinor shopping centre near Paris.

Nevertheless, there is need for caution. Retail margins are under pressure, partly as a result of the continuing growth in discount stores. In some shopping centres there is little or no room for rental increases as they have already reached, and in some cases exceeded, current market levels. Only in the better centres has turnover held up well or even improved. A positive factor is that consumer confidence is now recovering.

Wereldhave's Parinor shopping centre is one of those centres in the Paris region with potential for rental growth and capital appreciation. Financial results continued to be favourable in 1994; Parinor is one of the few shopping centres which can boast a satisfactory increase in turnover. A far-reaching refurbishment will be carried out during 1995 in close co-operation with the other owners. This upgrading will further strengthen the position of Parinor in its catchment area.

The economic recovery has not as yet had a positive effect on the office market in the Paris conglomeration. Even in prime locations market rents fell by approximately 10% to around FRF 2,500 per m² during 1994. The vacancy rate continues to be high and now averages about 11% in terms of lettable space. Once more the older buildings which do not meet current market requirements were the worst affected. As a result of its active management policy, Wereldhave succeeded in maintaining the occupancy rate in its Paris office portfolio at an acceptable level.

In line with the market the value of the portfolio was written down by 11%. Loss of rental income due to voids amounted to 11%. At the end of 1994 the portfolio had a book value of NLG 333.1 mln.

Hungary

	1994	1993
Economic growth	2.5%	-2.3%
Inflation	20.0%	22.5%
Growth in private consumption	n.a.	1.4%
Growth in employment	n.a.	-6.6%
Unemployment rate	10.8%	12.1%

For the first time in many years there was economic growth, accompanied by a large current account deficit equal to 9% of the gross domestic product. The Hungarian government responded by announcing severe budgetary cuts.

Compared to other European cities Budapest is a small market for rented property. In 1994 approximately 50,000 m² of modern office space were let. There is still around 50,000 m² of vacant space, the bulk of which is concentrated in two large buildings in the city centre. Market rents fell slightly in real terms in the centre and vary from between DEM 35 and DEM 45 per m² per month. Initial yields on prime offices amount to around 12%. There is a scarcity of modern shops in Budapest. Plans are now in hand for a number of large shopping centres but it is uncertain how many of these will reach fruition. The fact that disposable income in the country is still low and this, together with the high initial yields demanded on Hungarian investments, make it difficult to develop attractive shopping projects at the present time.

Both Wereldhave's office buildings in Budapest are fully let. The value of the portfolio increased by almost 9% in local currency terms and amounted to NLG 12.6 mln at the year end.

The refurbished office building Bellevue (11,600 m²), situated in the centre of The Hague opposite the Central Station.

Netherlands

	1994	1993
Economic growth	2.5%	0.4%
Inflation	2.2%	2.1%
Growth in private consumption	1.7%	0.7%
Growth in employment	0.1%	0.2%
Unemployment rate	9.3%	8.3%

Retail sales volume rose slightly during 1994 but margins are under pressure in a number of sectors. This influences the rental quota: That percentage of turnover which a retailer can afford to pay for accommodation. Market rents for shopping centres in good locations have risen in nominal terms but have shown little or no change after adjustment for inflation. In the face of high real interest rates gross initial yields for this type of property have again drifted upwards to approximately 8.25%-8.5%. There has been a modest drop in vacancies in the Randstad office market which now averages around 10%. Wereldhave's office properties are currently all located in and around the Hague; here too the vacancy rate has fallen slightly.

A satisfactory performance was achieved in 1994 by Wereldhave's Dutch portfolio of which 51% was in retail property at the year end. The portfolio is practically fully let. Loss of rental income due to voids was below 1.5%. The 6,300 m² extension to the Etten-Leur shopping centre was completed in the middle of the year, giving approximately 4,000 m² of shopping space, which is fully let. This reinforces the position of the shopping centre in the region. In addition to Etten-Leur higher rents have been negotiated when granting new leases or renegotiating old ones in the shopping centres at Amstelveen, Arnhem, Geldrop and Leiderdorp. The office building on the Westblaak, Rotterdam, was sold for a price slightly below the 1993 book value.

In view of current environmental legislation, Wereldhave has carried out soil tests on the sites of its Dutch properties and these tests have proved that the soil quality is good. The Company does not an-



ticipate to encounter any difficulties from this source in the event of sale.

There was no change in the value of the portfolio, which was valued at NLG 556.4 mln at the end of the year.

Spain

	1994	1993
Economic growth	1.7%	-1.0%
Inflation	4.7%	5.1%
Growth in private consumption	0.4%	-2.3%
Growth in employment	-0.9%	-4.3%
Unemployment rate	24.3%	23.7%

The worst seems to be over for the Madrid and Barcelona office rental markets where demand has increased slightly. In Madrid some multinational companies are looking for offices whereas demand in Barcelona is coming mainly from small, newly established local firms. Market rents have fallen by approximately 15% from the average 1993 levels but are now stabilizing in both cities. Good properties in the central business district can be rented for between ESB 1,800 and ESB 2,250 per m² per month in Madrid and between ESB 1,650 and ESB 1,900 in Barcelona. A further improvement in rental markets is expected and this should lead to a gradual rise in rents. Initial yields on fully-let properties have remained at a level between 7.5% and 8% but in view of the limited volume of investment transactions these figures must be regarded as having no more than an indicative value.

The two office buildings on the Rambla de Catalunya, Barcelona, were completed in 1994. A num-



Entrance hall of 124 Rambla de Catalunya, Barcelona.



After refurbishment, the office building (2,950 m²) at 124 Rambla de Catalunya, Barcelona, was added to the investment portfolio in 1994.

ber of leases have been agreed upon and the interest which potential tenants are showing for these buildings justifies the expectation that a substantial occupancy rate will be reached in 1995. The office building on the Calle Fernando El Santo, Madrid, is practically fully let.

In view of the fall in market rents in real terms, the Spanish portfolio valuation was lowered by over 20% in 1994. At the end of 1994 the value amounted to NLG 64.8 mln. The anticipated improvement in the occupancy rate in 1995 will have a favourable effect on the value of the portfolio.

United Kingdom

	1994	1993
Economic growth	3.5%	2.0%
Inflation	2.6%	3.5%
Growth in private consumption	2.5%	2.6%
Growth in employment	0.4%	-1.0%
Unemployment rate	9.6%	10.2%

After the steep fall in recent years market rents for offices and industrial buildings have held steady in most cases during 1994. Under these circumstances investor interest was initially centred on properties let on long leases to financially sound tenants. Such properties represent an alternative to investing in Government bonds. At the beginning of 1994 the yield on Government bonds with a maturity of between 5 and 10 years fell below 7%. Consequently, this resulted in higher prices on the property markets. Bond prices later on dropped sharply and long-term interest rates rose; a price correction set in on the property markets in the second half of the year.

In London office vacancy rates have dropped to approximately 13.5% in the City and 8.7% in the West End. The substantial concessions offered to new tenants in the form of rent-free periods and fitting-out costs when the property market was in recession, are now less common. As the vacancy rate continues to fall in years to come, market rents will rise and provide an impetus for new construction activity which is currently practically non-existent.

Shopping parade in Wakefield, Yorkshire (U.K.), purchased in 1994.



By and large market rents in the retail sector have remained unchanged. An increase in personal consumption is a precondition for higher rental levels but the British public is being confronted by a hefty increase in financial burdens resulting from measures taken by the Government to prune back the budget deficit. The British are sensitive to increases in interest rates as home mortgage loans usually carry a variable rate of interest. This depresses real disposable income and restricts growth in consumer expenditure. In these circumstances retail sales growth of 2.5% is a remarkable figure. One possible explanation is the decision to allow shops to open on Sunday. Also in the retail sector there was a slight rise in initial yields in the course of the year.

Wereldhave's United Kingdom portfolio produced satisfactory results in 1994. Loss of rental income due to voids fell to 4%. In many cases slightly higher rents have been achieved when leases came up for renewal. The Company purchased nine properties, most of them fairly small ones, in various parts of the country. Six of these are in the retail sector and three are industrial properties. These properties, with a total purchase price of NLG 64.2 mln give an initial net yield of 9%. The proceeds of the sale from five properties amounted to NLG 30.4 mln and exceeded the 1993 book value. The portfolio was revalued upwards for the second year in succession, in this case by well over 5%; the value amounted to NLG 656.8 mln at year end.

United States

	1994	1993
Economic growth	3.9%	3.1%
Inflation	2.2%	2.5%
Growth in private consumption	3.4%	3.3%
Growth in employment	3.1%	1.5%
Unemployment rate	6.1%	6.8%

With the economy moving ahead strongly a gradual improvement in office rental market conditions is now under way in the large American cities. The fall in real market rents has been halted. In some

places rents are beginning to rise again although they are still well below pre-recession levels. One positive effect of the current situation is that the market value of properties has dropped below the cost of constructing new buildings so that there is still little speculative development. Over the country as a whole vacancy rates are falling. However, they are still high in most cities, varying from 10% in cities such as Boston to well over 30% in Dallas. Vacancy rates in down-town New York and Philadelphia – approximately 19% and 17% – lie in mid-range, whereas the vacancy rate in Washington, which is over 12%, comes close to that for Boston.

As a result, amongst others, of intensive efforts to attract tenants there has been a net improvement in the occupancy rate in Wereldhave's office portfolio. Loss of rental income due to voids amounted to 19% in 1994. In addition the Company has been able to make additional savings in service and maintenance costs and has benefited from lower real estate taxes and other property-related charges.

During the last two years the Real Estate Investment Trusts (REIT's) have invested heavily in large-scale shopping centres. Yields on these properties have fallen to between 7½% and 10%, according to the type of centre and its location. Large and medium-sized centres face increasing competition from the large-scale discount chains. Well-positioned small shopping centres and strip centres have maintained their competitive position.



Entrance hall of Wereldhave's U.S. management office at 20 Exchange Place, New York.

The value of the portfolio was adjusted downwards by 10% during the year under review. At the end of 1994 the valuation was NLG 336.2 mln. Wereldhave expects a further improvement in the occupancy rate of its American portfolio in 1995.

Organization and staffing

In addition to its Head and Management Offices in The Hague, Wereldhave has local management offices in Brussels, Dusseldorf, London, Madrid, New York and Paris. An average of 131 people has been employed by the Company during 1994, of which 90 were employed in the management offices. Costs have been reduced by a cut in the level of staffing over the past two years. Changing circumstances in the property sector require a high degree of flexibility on the part of individual employees and the organization as a whole. We should like to express our deep gratitude to our employees for their unstinting efforts and commitment during 1994.

Prospects

General

Economic prospects for 1995 are considered to be favourable. Economic growth in Western Europe and the United States, supported by the expected increase in corporate investment, will continue to be fairly strong. With unemployment remaining high in Europe, inflation can be expected to remain moderate. Increasing corporate investment boosts employment. In the Western part of Continental Europe this will halt or possibly even reverse the trend towards higher unemployment. This could be accompanied by the stabilization of long-term interest rates at around current levels and slightly higher money-market rates.

Policy

In addition to the continuation of the selective sales programme Wereldhave will place a high priority on adding properties to the portfolio which will provide an immediate boost to the earnings per share. Experience has shown that the investments in question need not be massive buildings in the major conurbations. Wereldhave is pursuing a number of paths towards the intended expansion of the portfolio. In some countries there are investment opportunities involving what are for Wereldhave new geographical regions or new types of property as is the case with the recent acquisitions in the United Kingdom. Wereldhave will also develop projects for its own portfolio, either from scratch or by extending, refurbishing or redeveloping existing properties, provided there is sufficient certainty of a profitable operation. Examples of such projects are the building of the Belle-Ile shopping centre and extensions to, or the refurbishment of shopping centres in the Netherlands, Belgium and France. In addition, Wereldhave will continue to seek investment opportunities in European countries where it does not have a current presence. As for 1993 and 1994 the Company will endeavour to finance new investments partly by the issue of new shares, which is one of the reasons behind the proposal of an optional dividend for 1994.

Results 1995

Possibilities for raising office rents are limited. In some cases rent reviews will inevitably involve adjusting contractual rents down to current lower market levels. Nevertheless, with the help of lower vacancy rates, a slight improvement is expected in rental income for the office portfolio as a whole. Higher rental income is forecast for the retail properties. This is the result of the possibilities for raising rents to market levels when leases come up for renewal and upon the completion of the Belle-Ile shopping centre.

Apart from higher rental income Wereldhave foresees an increase in interest charges as a result of slightly higher long-term and short-term interest rates than the average experienced in 1994. On the assumption that the average currency conversion rates will not deviate greatly from the levels seen in 1994, Wereldhave anticipates being able to maintain its profit per share in 1995 at the previous year's level.

Board of Management

G.C.J. Verweij, Chairman
R.L.M. de Ruijter

The Hague, February 23, 1995

Accounts 1994

Consolidated balance sheet at December 31, 1994

after proposed distribution of profits (\times NLG 1 mln)*¹

	note	1994	1993
Investments			
investment properties	1	2,308.9	2,341.5
other investments	2	149.5	76.9
		<u>2,458.4</u>	<u>2,418.4</u>
Working capital			
accounts receivable	3	64.2	60.7
cash and bank balances	4	39.8	201.3
short-term debt	5	././ 213.6	././ 239.2
		<u>././ 109.6</u>	<u>22.8</u>
		<u>2,348.8</u>	<u>2,441.2</u>
Long-term debt			
loans	6	././ 914.4	././ 1,021.3
other liabilities	7	././ 9.2	././ 10.1
		<u>././ 923.6</u>	<u>././ 1,031.4</u>
Provisions	8	././ 23.0	././ 28.3
Shareholders' equity		<u>1,402.2</u>	<u>1,381.5</u>
Composition of shareholders' equity			
paid-up and called-up share capital	9	303.7	278.7
share premium	10	1,388.1	1,320.3
revaluation reserve	11	—	—
general reserve	12	././ 289.6	././ 217.5
		<u>1,402.2</u>	<u>1,381.5</u>

*¹ See note 5 on page 25 and proposed distribution of profits on page 33.

Consolidated profit and loss account for 1994

(× NLG 1 mln)

	note	1994	1993
Investment income			
gross rental income	1	214.7	232.7
operating costs	1	./.	./.
		33.8	32.9
net rental income	1	180.9	199.8
Costs			
interest	2	./.	./.
general costs	3	./.	./.
		55.0	82.7
		15.8	15.8
		./.	98.5
direct investment result before tax		110.1	101.3
taxes on corporate income		0.1	./.
Direct investment result		110.2	100.9

Movements in shareholders' equity for 1994

(× NLG 1 mln)

	1994	1993
Direct investment result	110.2	100.9
Indirect investment result	./.	./.
	124.5	89.3
Total investment result	./.	./.
	14.3	11.6
proposed dividend*)	./.	./.
retained cash dividends	107.9	99.1
issues of shares	50.1	74.4
	92.8	132.3
	35.0	107.6
Increase in shareholders' equity	20.7	119.2

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:

	1994	1993
100 BEF	NLG 5.45	NLG 5.38
100 FRF	32.455	32.92
100 ESB	1.318	1.362
1 DEM	1.1202	1.1185
100 HUF	1.554	1.9279
1 GBP	2.7115	2.874
1 USD	1.7355	1.939

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 surpluses, 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. 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. Selling costs are deducted from this 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 deferred tax liabilities represent the discounted value of deferred 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 nor 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 in-

corporated 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 1993 bonus issue resulted in retained cash dividends in 1994.

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 deferred tax liabilities, and
- exchange rate differences on investments and loan liabilities together with 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 deferred 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, 1994

(x NLG 1 mln)

	1994	1993
1 Investment properties		
balance at January 1	2,341.5	2,530.9
exchange rate difference	./ 83.9	43.8
	<u>2,257.6</u>	<u>2,574.7</u>
purchases/expenditures	86.9	86.6
transferred from other investments	59.7	73.8
	<u>2,404.2</u>	<u>2,735.1</u>
disposals	./ 39.8	./ 327.3
	<u>2,364.4</u>	<u>2,407.8</u>
valuation adjustments	./ 55.5	./ 66.3
balance at December 31	<u><u>2,308.9</u></u>	<u><u>2,341.5</u></u>
2 Other investments		
balance at January 1	76.9	161.9
exchange rate difference	./ 1.9	./ 14.8
	<u>75.0</u>	<u>147.1</u>
purchases/expenditures	146.1	31.0
transferred to investment properties	./ 59.7	./ 73.8
	<u>161.4</u>	<u>104.3</u>
disposals	./ 3.0	-
	<u>158.4</u>	<u>104.3</u>
valuation adjustments	./ 8.9	./ 27.4
balance at December 31	<u><u>149.5</u></u>	<u><u>76.9</u></u>
The item 'Other investments' is made up almost exclusively of development properties.		
3 Accounts receivable		
prepaid costs (partly long-term)	18.5	18.1
tax recoverable	11.7	1.8
debtors	13.5	14.7
other	20.5	26.1
	<u>64.2</u>	<u>60.7</u>

	1994	1993
4 Cash and bank balances		
bank term deposits	3.5	158.0
cash at banks	36.3	43.3
	<u>39.8</u>	<u>201.3</u>

The average interest rate of the deposits is 5.7% at December 31, 1994 (1993: 5.9%).
At December 31, 1994, the full amount of bank term deposits was freely disposable.

5 Short-term debt		
short-term portion of long-term debt	-	30.2
dividend	108.1	99.3
taxes	17.9	21.8
fixed-term loans and overdrafts	13.2	0.4
creditors and other debts	74.4	87.5
	<u>213.6</u>	<u>239.2</u>

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	1,021.3	1,338.6
exchange rate difference	./ 36.5	./ 13.5
	<u>984.8</u>	<u>1,352.1</u>
new loans	224.7	5.3
redemptions	./ 295.1	./ 305.9
	<u>914.4</u>	<u>1,051.5</u>
short-term portion	-	./ 30.2
balance at December 31	<u>914.4</u>	<u>1,021.3</u>
Redemption scheme:		
1 to 2 years	272.2	72.0
2 to 5 years	447.9	450.3
5 years or more	194.3	499.0
	<u>914.4</u>	<u>1,021.3</u>

Loans to the amount of NLG 200.4 mln are secured on property (1993: NLG 381.2 mln). Loans can be illustrated as follows:

Currency	Distribution percentage December, 31		Average interest rate December, 31	
	1994	1993	1994	1993
NLG	22.8	59.0	6.8	6.9
BEF	23.4	7.5	6.2	8.4
FRF	9.7	2.2	6.0	7.0
ESB	2.5	0.4	8.2	9.8
GBP	22.6	10.9	7.9	6.0
USD	19.0	20.0	7.9	7.7
	100.0	100.0	7.2	7.1

7 Other long-term liabilities

This item consists of tenants' deposits.

	1994	1993
8 Provisions		
provision for deferred tax liabilities	23.0	28.3

The provision for deferred tax liabilities is considered to be 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)	
			1994	1993
ordinary shares	20	500,000,000	296,229,940	271,169,780
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	326,230,140	301,169,980
less: uncalled preference capital			./ 22,500,000	./ 22,500,000
		1,000,000,000	303,730,140	278,669,980
Change in issued share capital:			1994	1993
balance at January 1			271.2	229.3
stock dividend			8.6	16.4
share issues			16.4	25.5
balance at December 31			296.2	271.2

At December 31, 1994 there are 14,811,497 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'.

	1994	1993
10 Share premium		
balance at January 1	1,320.3	1,229.9
stock dividend	./ 8.6	./ 16.4
share issues	76.4	106.8
balance at December 31	1,388.1	1,320.3
<p>The share premium at December 31, 1994 includes an amount of NLG 1,357 mln exempted from tax (1993: NLG 1,289 mln).</p>		
11 Revaluation reserve		
balance at January 1	—	—
valuation adjustments on investments	./ 64.4	./ 93.7
exchange rate differences	./ 52.8	2.0
movements in deferred tax liabilities	./ 0.8	0.3
other movements	./ 6.5	2.1
	./ 124.5	./ 89.3
from general reserve	124.5	89.3
balance at December 31	—	—
12 General reserve		
balance at January 1	./ 217.5	./ 204.4
retained cash dividends	50.1	74.4
added according to proposal for distribution of profits to revaluation reserve	2.3	1.8
	./ 124.5	./ 89.3
balance at December 31	./ 289.6	./ 217.5
13 Items not included in the balance sheet		
Liabilities and commitments		
<p>At December 31, 1994 the group can be held liable for an amount of NLG 12.1 mln (1993: NLG 12.3 mln). The Company gave an option to a third party to purchase property to an amount of NLG 85.4 mln.</p>		

Notes to the consolidated profit and loss account for 1994

(× NLG 1 mln)

1 Rental income

Rental income is specified as follows:

	Gross rental income		Operating costs		Net rental income	
	1994	1993	1994	1993	1994	1993
Netherlands	55.6	53.7	6.2	5.8	49.4	47.9
Belgium	23.0	27.6	2.2	2.6	20.8	25.0
France	26.2	28.8	2.6	1.9	23.6	26.9
Spain	2.4	1.7	0.7	0.3	1.7	1.4
Germany	4.5	13.5	0.5	1.4	4.0	12.1
Hungary	1.9	0.8	0.1	0.1	1.8	0.7
United Kingdom	63.1	67.4	7.5	7.8	55.6	59.6
United States	38.0	39.2	14.0	13.0	24.0	26.2
	<u>214.7</u>	<u>232.7</u>	<u>33.8</u>	<u>32.9</u>	<u>180.9</u>	<u>199.8</u>
Offices	121.1	143.6	23.5	23.0	97.6	120.6
Shops	74.2	71.1	8.7	8.1	65.5	63.0
Other	19.4	18.0	1.6	1.8	17.8	16.2
	<u>214.7</u>	<u>232.7</u>	<u>33.8</u>	<u>32.9</u>	<u>180.9</u>	<u>199.8</u>

Loss of rental income due to voids amounted to 7.7% of the theoretical rent (1993: 7.9%). The theoretical rent is the sum of gross rental income and the loss of rent due to voids.

	1994	1993
2 Interest		
interest paid	68.7	103.2
interest received	./ 8.0	./ 14.5
	<u>60.7</u>	<u>88.7</u>
less: capitalized interest costs	./ 5.7	./ 6.0
	<u>55.0</u>	<u>82.7</u>
3 General costs		
personnel	13.1	13.7
remuneration of Supervisory Board	0.3	0.3
external advisers, auditors and property valuation costs	2.4	2.5
other	6.0	6.0
	<u>21.8</u>	<u>22.5</u>
less: costs of asset management	./ 6.0	./ 6.7
	<u>15.8</u>	<u>15.8</u>

4 Other

Salaries amounted in total NLG 12.7 mln (1993: NLG 14.0 mln), social and collective securities contributions NLG 2.1 mln (1993: NLG 2.1 mln), and pension costs NLG 1.9 mln (1993: NLG 1.5 mln). The remuneration of the Board of Management and former Board Members amounted to NLG 0.8 mln (1993: NLG 1.9 mln) including social and collective security contributions and pension costs. An average of 131 people has been employed by the company during 1994 (1993: 142).

Consolidated statement of source and application of funds

(× NLG 1 mln)

	1994	1993
Source of funds		
direct investment result	110.2	100.9
capitalized interest costs	./ 5.7	./ 6.0
	<u>104.5</u>	<u>94.9</u>
sales	42.8	327.3
new loans	224.7	5.3
share issues	92.8	132.3
	<u>464.8</u>	<u>559.8</u>
Application of funds		
purchases/investments in properties	227.4	111.9
redemptions on loans (including short-term portion)	295.1	336.1
dividend	57.8	24.7
other movements in revaluation reserve	6.5	./ 2.1
movements in provisions	6.1	14.8
movements in other long term liabilities	0.9	0.1
exchange rate differences	3.4	13.2
	<u>597.2</u>	<u>498.7</u>
Decrease/increase in working capital	<u>./ 132.4</u>	<u>61.1</u>

Company balance sheet at December 31, 1994

after proposed distribution of profits (\times NLG 1 mln)*)

	note	1994	1993
Investments			
investment properties		523.4	513.3
investments in group companies	1	816.5	880.4
other investments	2	769.8	610.6
		<u>2,109.7</u>	<u>2,004.3</u>
Working capital			
accounts receivable	3	14.1	16.0
cash and bank balances		7.4	170.7
short-term debt		./.	./.
		<u>157.9</u>	<u>177.6</u>
		./.	9.1
		<u>1,973.3</u>	<u>2,013.4</u>
Long-term debt			
loans	4	./.	./.
		<u>571.1</u>	<u>631.9</u>
Shareholders' equity			
		<u>1,402.2</u>	<u>1,381.5</u>
Composition of shareholders' equity			
paid-up and called-up share capital	5	303.7	278.7
share premium		1,388.1	1,320.3
revaluation reserve		—	—
general reserve		./.	./.
		<u>289.6</u>	<u>217.5</u>
		<u>1,402.2</u>	<u>1,381.5</u>

Company profit and loss account for 1994

(\times NLG 1 mln)

	note	1994	1993
direct investment result	6	65.5	62.7
result on investments in group companies		44.7	38.2
Operating result		<u>110.2</u>	<u>100.9</u>

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

Notes to the company balance sheet at December 31, 1994 and profit and loss account for 1994

(× 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:	1994	1993
balance at January 1	880.4	961.5
investments during the year	12.3	4.7
	892.7	966.2
results	44.7	38.2
valuation adjustments	./ 89.4	./ 96.6
profit distributions	./ 31.5	./ 27.4
balance at December 31	816.5	880.4

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 665.1 mln (1993: NLG 484.4 mln) is included amongst other investments.

3 Working capital

On account of inter-company relations NLG 2.3 mln (1993: NLG 5.0 mln) is included amongst accounts receivable and NLG 9.9 mln (1993: NLG 1.2 mln) amongst short-term debt.

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

4 Loans

On account of inter-company relations NLG 266.8 mln (1993: NLG 286.3 mln) is included amongst long-term debt.

5 Shareholders' equity

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

6 Direct investment result

On account of inter-company relations an amount of NLG 21.9 mln (1993: NLG 25.7 mln) is included in the direct investment result for the excess of interest income over interest charges.

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 423 mln (1993: NLG 443 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
R.L.M. de Ruijter

The Hague, February 23, 1995

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 7.5% on the outstanding preference shares, 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 24, 1995. That part of profits which is not paid out in cash will be added to the general reserve.

(x NLG 1 mln)	1994	1993
Operating result	110.2	100.9
Preference dividend (incl. dividend on 'A' priority shares)	0.5	0.8
Ordinary dividend*)	107.4	98.3
Addition to general reserve	2.3	1.8
	110.2	100.9

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

Auditor's report

We have audited the financial statements of Wereldhave N.V., The Hague, for the year 1994 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, 1994 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 23, 1995

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), 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 look after the interests of Wereldhave N.V. (the Company), of the business concern related to the Company as legal entity and of all parties involved, taking into consideration, amongst other objectives the maintenance of the independence, continuity and identity of the Company as a legal entity and as a business concern.

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.

Investment properties at December 31, 1994

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

Location	Type	m ²	Parking spaces	Year of construction or renovation	Annual rent 1995 (x NLG 1 mln)
Belgium					
Brussels					
1-8 Boulevard Bischoffsheim	office	12,800	150	1988	6.3
22-25 Boulevard Bischoffsheim	office	6,000	64	1990	2.5
139-141 Koningsstraat	office	5,000	48	1976	1.9
41 Kunstlaan	office	3,500	55	1990	1.7
22 Muntplein/Schildknaapstraat	office	7,700	34	1987	2.7
58 Regentlaan	office	3,100	34	1975	1.5
Nijvel					
10 Steenweg op Bergen	shopping centre	15,400	800	1986	2.3
Doornik					
22 Boulevard Walter de Marvis	shopping centre	7,500		1979	1.6
Properties with an open market value less than NLG 10 mln		11,700			4.1
		<hr/>			<hr/>
		72,700			24.6
Germany					
Frankfurt					
21 Taunusanlage	office and shops	4,700	4	1990	4.6
France					
Paris and environs					
145-149 Rue de Courcelles	office	4,500	24	1987	2.8
29-30 Quai de Dion Bouton; Puteaux	office	18,100	411	1987	6.3
56 Rue du Faubourg Saint Honoré/ 4-14 Rue d'Aguesseau (50%)	office	6,400	50	1986	5.7
Shopping centre Parinor, Le Haut de Galy; Aulnay-sous-Bois	shopping centre	32,200		1974	14.6
		<hr/>			<hr/>
		61,200			29.4
Hungary					
Budapest					
Properties with an open market value less than NLG 10 mln		3,200	37		1.8
The Netherlands					
Amstelveen					
Shopping centre Binnenhof, 10 Binnenhof (50%)	shopping centre and office	9,850		1988	4.8
Arnhem					
Shopping centre Kronenburg, 1-13 Kronenburg Passage (leasehold till 2110)	shopping centre and office	34,000	1,000	1985	12.4
Best					
4 Brem	other commercial space	11,300	690	1971	1.5
Doorn					
Park Boswijk, Boswijklaan	apartments	33,300		1974	3.8
Etten-Leur					
Shopping centre Etten-Leur, 1-72 Winkelcentrum	shopping centre and office	20,600		1980	4.7
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	1.1
366-370 Sir Winston Churchilllaan; Rijswijk	office	50,000	656	1986	11.9
1-8 Koningin Julianaplein	office	11,600	79	1993	3.2
2-6 Nieuwe Havenstraat; Voorburg	office	19,000	351	1988	3.5
12 Veraartlaan; Rijswijk	office	5,600	87	1991	1.6
Leiderdorp					
Shopping centre Winkelhof, Winkelhof	shopping centre	14,800	750	1990	4.8
Nuth					
15 Thermiekstraat	other commercial space	17,000	690	1987	2.2
Properties with an open market value less than NLG 10 mln		7,400			1.4
		<hr/>			<hr/>
		244,250			58.1
Spain					
Madrid					
2 Plaza de la Lealtad	office	3,000		1972	1.3
15 Calle Fernando El Santo	office	3,250	43	1993	0.9
Barcelona					
2-4 Rambla de Cataluña	shops and office	4,400	50	1993	1.9
124 Rambla de Cataluña	shops and office	2,950	16	1993	0.9
		<hr/>			<hr/>
		13,600			5.0

Location	Type	m ²	Parking spaces	Year of construction or renovation	Annual rent 1995 (× NLG 1 mln)
United Kingdom					
Birmingham					
24-28 Teall Street & 12-29 The Springs	shops	3,100	350	1988	1.1
London and environs					
126 / 134 Baker Street, W1	shops	1,700		1935	1.1
76 Cannon Street, EC4 (leasehold till 2138)	office	800		1988	1.4
The Carnaby Estate, W1	shops and office	27,300	2	divers	16.4
14-18 Eastcheap, EC3 (leasehold till 2128)	office	5,200		1991	3.2
11 / 12 Haymarket, SW1	office	1,100		1988	1.4
65 Kingsway, WC2	office	6,000		1986	3.4
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, 2 & 5 Curfew Yard, Windsor	office	1,500	53	1972	1.0
31-36 Foley Street	office	3,300	12	1993	1.2
Sheffield					
Penistone road	shops	3,900		1993	0.8
Redhill					
Grosvenor House, 65 / 71 London Road	office	4,700	150	1986	2.2
Sittingbourne					
Trinity Trading Estate	other commercial space	36,500	200	1982	4.6
Whyteleafe					
439 / 445 Godstone Road	office	7,300	270	1964	1.8
Rickmansworth					
Olds Approach, 1 Tolpits Lane	other commercial space	7,800		1993	0.8
Properties with an open market value less than NLG 10 mln		105,200			24.4
		<u>222,500</u>			<u>67.2</u>
United States					
Dallas					
1910 Pacific Place	office	29,700	14	1982	3.2
Philadelphia					
1515 Market Street	office and shops	46,900		1986	15.2
New York					
20 Exchange Place	office	60,400		1985	15.4
83 Maiden Lane	office and shops	12,700		1985	2.2
Washington D.C.					
1401 New York Avenue	office	17,800	165	1984	7.7
		<u>167,500</u>			<u>43.7</u>
Total		789,650			234.4

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 annual rent is calculated on the assumption that the buildings are fully let and before deducting operating costs.

Independent valuers

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
Healey & Baker v.o.f., Brussels
Hillier Parker, London
Healey & Baker, Paris

Healey & Baker, Amsterdam
Arthur Andersen & Co., Atlanta
Healey & Baker, London
Richard Ellis S.A., Madrid
Aguirre Newman, Madrid

Summary of investment properties

The following is a summary of the open market value of the Group's investment properties at December 31, 1994. In accordance with Group accounting policy valuations in currencies other than Dutch Guilders have been converted at rates of exchange ruling at December 31, 1994. The annual rent is calculated on the assumption that the buildings are fully let before deducting operation costs.

(<i>× NLG 1 mln</i>)	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	190.7	16.9	60.5	6.0	15.4	1.7	266.6	24.6
Germany	75.2	4.1	10.2	0.5	–	–	85.4	4.6
France	163.0	14.8	170.1	14.6	–	–	333.1	29.4
Hungary	12.6	1.8	–	–	–	–	12.6	1.8
Netherlands	198.7	23.1	282.4	27.4	72.3	7.6	553.4	58.1
Spain	50.4	3.9	14.4	1.1	–	–	64.8	5.0
United Kingdom	248.9	26.0	309.7	30.4	98.2	10.8	656.8	67.2
United States	326.1	42.0	10.1	1.7	–	–	336.2	43.7
Total	1,265.6	132.6	857.4	81.7	185.9	20.1	2,308.9	234.4

General lease conditions

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

Belgium

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

Germany

- Term: 5 years with the tenant having an option for a further 5 years.
- 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.
- Outgoings: structural maintenance, insurance, management and local taxes are for the landlord's account.

France

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

Hungary

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

The Netherlands

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

Spain

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

United Kingdom

- Term: up to 25 years.
- Rent adjustments to market levels every five years, in general not below the previous rent level.
- Outgoings: structural maintenance and insurance are in the main all recoverable from the tenants.

United States

- Term: 5 or 10 years usual.
- Rent increases: unusual during the term.
- 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)

Belgium

Liège

1 Quai des Vennes

Construction of a shopping centre with 30,000 m² floor space and 1,650 parking places.



WERELDHAVE

Wereldhave N.V. - 23 Nassaulaan - 2514 JT The Hague - The Netherlands

Telephone: (0)70 - 346 93 25 - Fax: (0)70 - 363 89 90