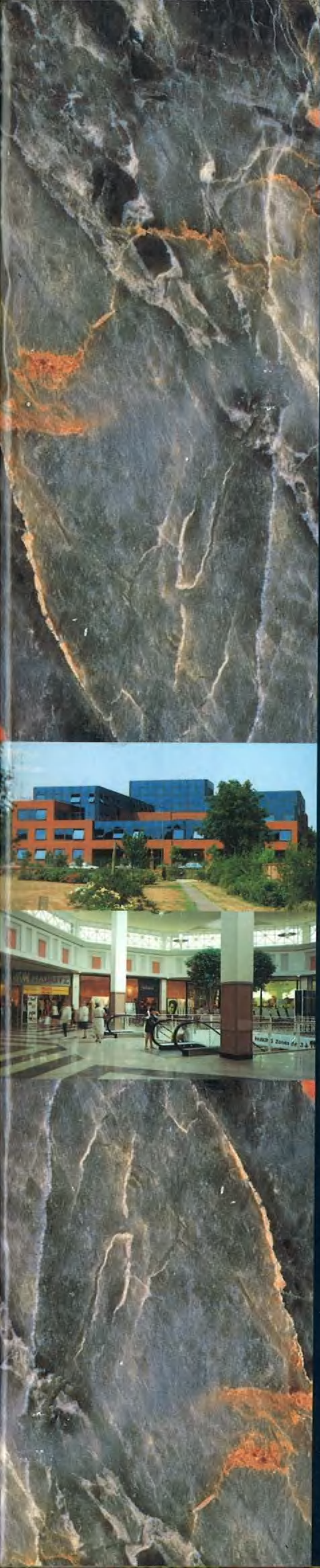


WERELDHAVE

ANNUAL REPORT

1995

# Annual Report 1995 Wereldhave N.V.

## Contents



This is the English translation of the official Dutch Annual Report and Accounts 1995.

# Wereldhave in brief

## Mission and corporate aim

- **Wereldhave's** mission is to make available, when and where needed, commercial and residential property for rent.
- The object 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, 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, industrial property and apartments. 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.
- 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 alone has the authority to issue shares and to acquire its own 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 Netherlands Wet toezicht beleggingsinstellingen (Investment Funds Supervision Act).

## Financial calendar

| | | |
|---|---|---|
| – Announcement distribution rate 1995 stockdividend | : | March 15, 1996 |
| – Annual General Meeting of Shareholders | : | March 21, 1996 |
| – Payment date of dividend | : | April 1, 1996 |
| – Publication 1996 first quarter report | : | May 7, 1996 |
| – Publication of 1996 half-year report | : | August 9, 1996 |
| – Publication of 1996 nine-months report | : | November 4, 1996 |
| – Publication of 1996 Annual Report and Accounts | : | maart 1997 |

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 variabel 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 Annual Accounts for the year ended December 31, 1995. Coopers & Lybrand, auditors, have audited and certified the Annual Accounts. We propose the approval of these accounts and, in accordance with the proposal of the Board of Management, a dividend per ordinary share of either NLG 7.25 in cash, or, at the choice of the shareholder, a tax free dividend in the form of bonus shares to be charged to the tax-exempted share premium, the distribution rate to be announced on March 15, 1996.

At the Annual General Meeting of Shareholders on March 21, 1996, Messrs W. Lemstra and J.F. Visser 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 22, 1996

# Summary of past 5 year

| | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|
| **Results** | | | | | |
| (x NLG 1 mln) | | | | | |
| Net rental income | 185.0 | 180.9 | 199.8 | 207.0 | 211.4 |
| Direct investment result | 113.3 | 110.2 | 100.9 | 85.2 | 92.8 |
| Indirect investment result | ./. 122.2 | ./. 124.5 | ./. 89.3 | ./. 324.6 | ./. 326.8 |
| **Balance sheet** | | | | | |
| (x NLG 1 mln) | | | | | |
| Investments | 2,334.8 | 2,458.4 | 2,418.4 | 2,692.8 | 3,156.5 |
| Shareholders' equity | 1,318.3 | 1,402.2 | 1,381.5 | 1,262.3 | 1,585.6 |
| Long-term debt | 882.8 | 923.6 | 1,031.4 | 1,348.8 | 1,500.1 |
| **Issued ordinary shares of NLG 20 nominal value at December 31** | | | | | |
| (in numbers) | 15,204,984 | 14,811,497 | 13,558,489 | 11,465,993 | 11,465,993 |
| **Statistics per ordinary share of NLG 20** | | | | | |
| (x NLG 1)[1] | | | | | |
| Net asset value | 86.21[2] | 94.07 | 101.24 | 108.07 | 135.92 |
| Direct investment result | 7.42 | 7.39 | 7.37 | 7.27 | 7.95 |
| Indirect investment result (incl. other) | ./. 8.03 | ./. 7.32 | ./. 6.96 | ./. 27.96 | ./. 28.33 |
| Dividend | 7.25 | 7.24 | 7.24 | 7.16 | 7.90 |
| | or . . . %[3] | or 8% | or 6.25% | or 8% | |

[1] The amounts per share up to and including 1994 have been adjusted for the 1994 bonus issue; moreover, the figures up to and including 1992, have been adjusted for the 1992 bonus issue. Adjustment has taken place according to the so called 'issue method'.

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

[3] To be announced on March 15, 1996.

# Report of the Board of Management

## Introduction

The countries of Western Europe recorded rates of economic growth of between 2% and 3%, which was a poorer performance than had been forecast at the beginning of the year. The main support for economic growth has come from higher exports and corporate investment. A salient factor has been that growth in consumer expenditure has lagged behind in most countries. Reasons for this include the fact that the rate of unemployment is still high and, for those in employment, there is little job security. In most Western countries there was a further drop in the rate of inflation, accompanied by a fall in short-term and long-term interest rates. In the year under review the average real interest rates continued to be high.

There was an increase in the gross take-up of available space on the majority of office rental markets and new construction added little to the available supply in 1995. Nevertheless, the level of vacancies showed no reduction in many markets. There is still no evidence of an all-round improvement. Vacancies are most common in buildings in less sought-after locations or in older properties which in the current tenants' market cannot compete with the facilities offered by properly refurbished buildings or up-to-date new buildings. Relatively few transactions took place on the investment markets. There is demand for well let modern office buildings but investors are reluctant to dispose of them. There is a ready supply of older buildings. Initial yields are higher than for the first category but in many cases still do not fully reflect the technical and economic obsolescence affecting these buildings. To summarise, asking prices are still too high and are out of line with market valuations.

Retail rental markets are being confronted by the effects of consumers' cautious expenditure patterns. Compared with the office sector rental income in the retail market is characterized by stable prices and high occupancy rates. In some branches, however, turnover is under pressure and improvements in rental conditions are becoming more difficult to achieve. This type of development also puts increasingly higher demands on managers in the retail segment of the property market. The efforts of Wereldhave's management organization are therefore strongly targeted towards a high-quality service provision and an optimal branch-mix.

Despite continuing difficulties in some of its markets Wereldhave recorded higher profits in 1995. The direct investment result rose from NLG 110.2 mln to NLG 113.3 mln, in spite of much lower average exchange rates of Sterling and the US Dollar compared with 1994. The occupancy rate improved as a result of cutting rental losses from vacancies from 7.7% in the previous year to 6.5%. The profit per share, including a negative currency effect of NLG 0.32 and calculated on the basis of the increased number of shares (approx. 3%), amounted to NLG 7.42 (1994: NLG 7.40 or NLG 7.39 after adjustment for the 1994 stockdividend). The increase in share capital is the result of shareholders, holding thirty three per cent of the outstanding share capital, opting for the 8% bonus in shares instead of a cash distribution for 1994. For the 1995 financial year the distribution of a cash dividend of NLG 7.25, with an alternative of a tax free dividend in the form of bonus shares, to be charged to the share premium, will be proposed for Wereldhave's ordinary shares at the Annual General Meeting of Shareholders.

The Amsterdam Stock Exchange had an excellent year, with the AEX Index climbing from 415 to 485. Nevertheless, the share prices for quoted property companies have as yet not been able to profit from the strong improvement in stockmarket sentiment, despite the attractive dividend yields which many of them offer.

During the year under review, properties were acquired in the Netherlands and the United Kingdom for a total purchase price of NLG 7 mln. Properties were sold place in France, the Netherlands and United Kingdom for NLG 37 mln, which was almost equal to the book value at the end of 1994. Based on market developments the value of the portfolio was lowered by 2.5% in local currency terms (1994: 2.6%). At the end of 1995 the portfolio was valued at NLG 2,335 mln. The net asset value per share, after the proposed cash dividend, amounted to NLG 86.21 (1994: NLG 94.07 after distribution of profits and adjusted for the 1994 bonus issue).

## Financial review

### Results

The direct investment result rose by 2.8% to NLG 113.3 mln (1994: NLG 110.2 mln), in spite of the NLG 4.8 mln negative effect of substantially lower average exchange rates of the US Dollar and Sterling. The profit per share, calculated on the enlarged share capital, rose from NLG 7.39 to NLG 7.42. As a result of additions to the portfolio, increases in rent, lower vacancies and exchange rate differences, gross rental income increased to NLG 218 mln (1994: NLG 214.7 mln). Operating costs fell from NLG 33.8 mln to NLG 33 mln. Net interest charges increased by NLG 2 mln to NLG 57 mln. Repayment of loans and lower interest rates had a positive effect on the amount of interest charged. On the other hand, compared with 1994, a much lower amount of interest was capitalized in 1995 because the Belle-Ile shopping centre came into operation in the first quarter of the year. The reduction in general costs by NLG 1.1 mln to NLG 14.7 mln is, amongst others, the result of lower office costs and lower costs incurred in respect of external advisors and auditors.

| **Movements in net asset value per share** (× NLG 1) | **1995** | **1994*)** |
|---|---|---|
| Net asset value at January 1, before distribution of profits | 101.31 | 108.48 |
| Less: previous year's dividend | 7.24 | 7.24 |
| | 94.07 | 101.24 |
| Direct investment result | 7.42 | 7.39 |
| Revaluation | ./. 3.94 | ./. 4.35 |
| Exchange rate differences/ other movements | ./. 4.09 | ./. 4.06 |
| Effect of share issues | – | 0.64 |
| Effect of bonus issue '93 | – | 0.45 |
| Net asset value at December 31, before distribution of profits | 93.46 | 101.31 |
| Less: (proposed) cash dividend | 7.25 | 7.24 |
| Net asset value per December 31, net of (proposed) cash dividend | 86.21 | 94.07 |

*) Adjusted for the 1994 bonus issue

The indirect investment result amounted to ./. NLG 122.2 mln (1994: ./. NLG 124.5 mln). Net asset value per share after the proposed cash dividend and calculated on the basis of the number of ordinary shares outstanding on December 31, 1995 amounted to NLG 86.21 (1994: NLG 94.07 mln). Movements in net asset value per share are specified in the table on this page.

### Equity and debt financing

Wereldhave aims to maintain sound balance sheet ratios in order to limit its sensitivity to possible rises in interest rates and in order to be able to raise finance quickly for future investments. The 1994 bonus issue increased the number of ordinary shares in issue by 2.7% to 15.2 million. After distribution of profits, property revaluation and currency movements, shareholders' equity ended the year at NLG 1,318 mln or 59% of total assets (1994: 60%).

There was a further fall in long-term debt to NLG 883 mln (1994: NLG 924 mln). The decision, taken at the end of 1994, to finance approximately 70% of such debt at variable rates proved to be beneficial in 1995 against the background of the fall in short-term interest rates. Given a balanced economic growth and expectations of moderate inflation, approximately 70% for the time being continues to be financed at variable interest rates. Many of these loan agreements, however, include terms to fix the interest rate which Wereldhave can apply along with other facilities to consolidate interest rates as soon as movements in these rates justify their use. By the end of 1995 the average interest rate on outstanding borrowings had fallen to 6.6% (1994: 7.2%). When the shopping centre in Liège was opened, a large part of the short-term BEF Commercial Paper Programme by which it was funded, was exchanged for long-term finance. This resulted in an even spread of Wereldhave's borrowings with maturity dates over the medium term.

A modern, fully let office building (2,300 m²; 36 parking places) situated in the Agro Business Park, Wageningen; purchased in 1995.

### Currencies

Wereldhave aims to pursue a currency hedging policy which is simple and understandable to shareholders. This means that the relationship between debt finance and total assets, currently 41% (1994: 40%), is taken as the guideline for hedging currency risks on the various national portfolios. The effect of currency movements is moderated principally by financing in local currencies. During the year under review steep falls in the value of the US Dollar (7,7%) and of Sterling (8.8%) had a negative influence on the value in guilders of the property portfolios in the United States and the United Kingdom. These violent fluctuations had a negative impact of NLG 52.8 mln on shareholder's equity.

### Dividend

Wereldhave's dividend is determined largely by the tax legislation governing investment institutions. In principle there is an obligation to distribute a cash dividend at least equal to the profit as calculated for tax purposes. This requirement can be reduced by capital losses, recognized for tax purposes, to the extent that they can no longer be charged to the re-investment reserve. During the period 1992-1994 the Company earned substantial financial profits but capital losses for tax purposes meant that there was no distribution requirement. This is also the case for the year 1995, which recorded a financial profit of NLG 113.3 mln.

Considering the available possibilities and taking into account the interests of both shareholders and the Company, it has been decided again to propose to the Annual General Meeting of Shareholders an optional dividend. This gives the holders of ordinary shares the opportunity to choose between a tax free dividend in the form of bonus shares, to be charged to the tax-exempted share premium, or a cash dividend of NLG 7.25. The distribution rate for bonus shares will be announced on March 15, 1996. The Board of Management considers the choice for a dividend in shares justified in the light of the profit forecast for 1996. In the absence of unforeseen circumstances the bonus issue will not result in dilution of the profit per share. The bonus option also fits with Wereldhave's aim, with a view amongst others to future investments, of continuing to operate from a strong financial position.

### Share price performance

Despite favourable stockmarket conditions and falling interest rates Wereldhave's share price did not show much movement, hovering around the NLG 90 mark. Uncertainty about the property sector and the moderate profit prospects for a number of property companies have been contributory factors. Wereldhave's total return was 2.45% higher than that of the Kempen Property Reinvestment Index (AKX). Average stockmarket turnover amounted to around 17.400 shares per day during 1995.

The most recent disclosures (1992 and 1993) made under the Wet Melding Zeggenschap (Major Holdings Disclosure Act) show that there are four shareholders holding 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%.

| (× NLG 1) | 1995 | 1994 | 1993 |
|---|---|---|---|
| Highest price | 99.00 | 131.00 | 122.50 |
| Lowest price | 83.00 | 92.30 | 79.00 |
| Closing price | 89.00 | 98.40 | 118.50 |

## Economic and financial developments

The pace of economic growth in Europe slowed during the second half of 1995. On the other hand, in the United States and Japan there was a slight acceleration during the second half of the year. An important factor in stabilizing economic growth in Europe was the fact that growth outside the OECD member countries remained at a high level. This contributed to another year of 9%-growth in world trade. One of the side effects of the strong growth in world trade has been an equalisation of the relative prices of goods, services and capital between the world's various economic blocks. The convergence of real interest rates within the OECD membership in the past ten years is a typical example hereof.

The principal causes of the slowdown in European economic growth are the tightening up of government expenditure and the disappointing development of private consumption. The depreciation of the US Dollar in the first half of 1995 has also had a negative effect. The appreciation of most European currencies is forcing European industry to raise its productivity, amongst others by a reduction in the costs of labour. Simultaneously, European governments are actively seeking to restrain their expenditure to meet the 'Maastricht' criteria within the time frame specified. At the end of 1995 the decision was taken to continue with the necessary preparations for the introduction of the Euro in 2002. The result of these developments has been that growth in employment in Europe has lagged behind economic growth by more than it has in the past. As a result there has been practically no improvement in Europe's high unemployment figures; this has been especially true for the countries of the European Union.

Over the longer term the measures taken to promote European unification should have a more positive effect. In addition to a reduction in production costs and inflation, one could point to growth in trade, the possibility of lower interest rates and more stable currencies. This should mean a good prospect for higher investment levels. Whether they become a reality depends in part on the future competitive position of the European industry. Currency rates play an important part in this respect. Money-market rates in Germany (and the Netherlands) fell from 5.3% at the beginning of 1995 to 3.5% at the beginning of 1996; in Japan there was a drop from 2.3% to 0.5%. Cuts in official interest rates were initiated before the rate of economic growth in Europe actually fell. It is not unlikely that the depreciation of the US Dollar in the first half of 1995 contributed to this development. Reductions in short-term interest rates in both Europe and Japan were accompanied by lower long-term rates. During the first half of 1995 European short-term rates fell by more than long-term rates. With the slowing down of economic growth in the second half of 1995 inflation fears abated, leading to faster falls in long-term rates than those for the short-term.

Partly as a result of decreasing interest rates in Continental Europe there was a modest recovery in the US Dollar and, to a lesser extent, in Sterling in the second half-year. Whether this improvement will continue in 1996 is a matter of question. Both the United States and the United Kingdom are still being confronted with considerable deficits on the current account of their balance of payments. On the other hand the earlier weakening of their currencies, in combination with lower inflation figures, could lead to higher foreign investments in these countries and to a further recovery in both the US Dollar and Sterling. With the narrowing that has occurred in differences in inflation and real interest rates between the member countries of the OECD, there are reasons to expect increasing currency stability in the Western countries.

## Entrepreneurship in property

One remarkable phenomenon of recent times is the change of emphasis evident in the policy of large institutional investors towards property. They are increasingly investing in property indirectly. A number have spun off their direct property interest in some form or other; various types of 'securitisation' have also been applied to property investments outside the Netherlands. The purpose of such schemes is to improve the marketability of property, by definition an illiquid asset. In addition the number of options open to tenants in both the office and retail sectors has been increased considerably in the course of time. Against this background it is to be recommended that more attention should be paid to the changes which are taking place in the rental and investment markets for commercial property.

Some 30 years ago much office space was owned by its occupants. Since the 1960's the demands which tenants place on office accommodation have changed radically with respect to various aspects including lay-out, facilities, standards of finish, design and location. The rapid growth in car ownership has often led to a shift in top locations from city centres to the outskirts of urban conglomerations. Changes in the pattern of demand in the past decades have contributed to a sharp increase in the supply of commercial property. The rapid growth in new buildings was stimulated by the fall in rental yields which occurred at the end of the 1970's. The resulting appreciation of property values, combined with the modest increase in construction costs, encouraged developers to take on numerous new projects, some of them highly speculative. Finance for development projects proved to be readily available. This unrestrained level of new building activity reached its peak at the end of the 1980's and the beginning of the 1990's, eventually swamping the market. The retail sector of the property market also underwent sweeping changes. Increases in the scale of retail activities led to the creation of large shopping centres with the earliest European centres dating back to the 1960's. More recent trends involve 'superstores', discount stores and retail chains which operate internationally.

On many markets tenants can choose from a wide variety of suitable and less suitable properties and, therefore, are much more demanding with respect to their accommodation than in the past. Vacancy rates in most Western office markets have risen in the course of time and rates of between 7% and 10% are now fairly normal. Vacancy rates for the shop markets are still relatively low, but one of the consequences of the rapid expansion of the supply of retail property is that the tenant's turnover per $m^2$ in the sector has come under pressure. The wider choice of space has a similar effect on rental levels. This is forcing landlords to invest more in existing properties and to pay more attention on the choice of location and the provision of extra services.

The existing oversupply makes new construction activity more risky. Despite the drop in the volume of new construction in recent years, vacancy rates have fallen only slightly. In a number of office markets, however, the available newly built accommodation has been largely taken up. A situation has arisen which is on the one hand characterized by a glut of space and on the other hand by qualitative or sectoral shortages. Unlet space is concentrated in older, unrenovated properties. It is questionable whether, given the location, all of these properties can be repositioned in the market if they are renovated or given another function. Knowledge of and insight into local market conditions are needed for the owners to be able to judge whether the costs involved will be justified by future income.

In the final analysis the property owner himself is responsible for the decision to invest or disinvest. The risks attached to such decisions cannot be passed on to other parties. This is precisely why it is of great importance that the owner himself possesses the knowledge of the markets on which his properties have to compete and develops his own vision for these markets. In view of possible conflicts of interest, asset management by third parties is in general not a viable alternative. The steady increase in the supply of ageing property irrevocably leads to increasing competition between the owners of accommodation available for letting. This means that it is advisable to carry out internally not only the asset management but also the management of the properties themselves.

Just investing in property is not enough. Capital appreciation of properties has not proved to be automatic. Property has become the means of production for the landlord and the letting of property has become a service industry. The landlord must pay attention to facility management, maintaining a good relationship with the tenant, the optimal management of the portfolio and timely portfolio adjustments via purchase and disposal. Property valuation has an important part to play in this process. Valuations must at a minimum be based upon a price per $m^2$ which covers the owner's operating costs. This means that the gross rental income must cover not only the 'risk-free return' (the yield on Government bonds), but provide also an adequate compensation for operating and general costs, the costs of technical and economic obsolescence, taxes, transaction costs, the risk of vacancies and, where applicable, ground rents. Depending on the type of property, the state of repair and the scope for indexation of rents to changes in price levels, the required gross rental yields quickly reach 10% or more. Only if one insists that gross rental income covers these costs, is there any scope for improving results and, for a property company, of raising earnings per share.

In view of the above it is obvious that property owners and shareholders in property companies will insist upon a risk premium. Such companies will therefore require higher returns on equity and place increasing emphasis on improving the direct investment result. Investment in property has evolved into 'entrepreneurship in property'.

## Investments

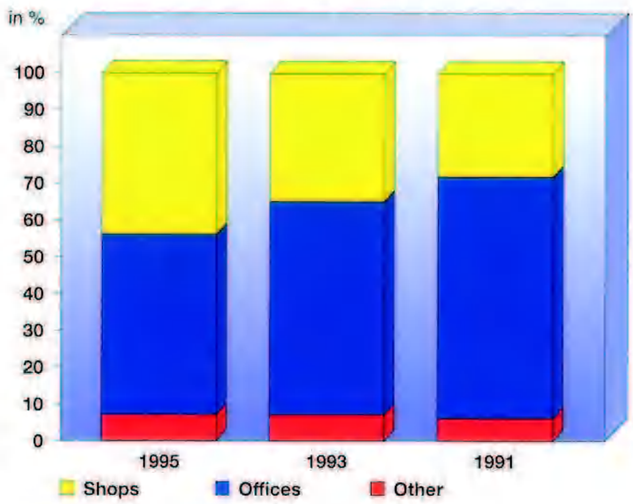
### General

The following table provides figures for the composition of the Company's investment property portfolio and the geographical distribution of the investments over the period 1991-1995:

| | 1995 | 1994 | 1993 | 1992 | 1991 |
|---|---|---|---|---|---|
| **Distribution of investment properties (%)** | | | | | |
| Shops | 44 | 37 | 35 | 29 | 28 |
| Offices | 49 | 55 | 58 | 65 | 66 |
| Other commercial | 7 | 8 | 7 | 6 | 6 |
| **Geographical distribution of investments (%)** | | | | | |
| Belgium | 19 | 17 | 11 | 13 | 11 |
| Germany | 4 | 4 | 4 | 8 | 7 |
| France | 12 | 13 | 15 | 15 | 16 |
| Hungary | 1 | 1 | 1 | < 1 | < 1 |
| Netherlands | 24 | 22 | 23 | 20 | 18 |
| Spain | 3 | 3 | 3 | 5 | 5 |
| United Kingdom | 25 | 26 | 26 | 23 | 29 |
| United States | 12 | 14 | 17 | 15 | 13 |

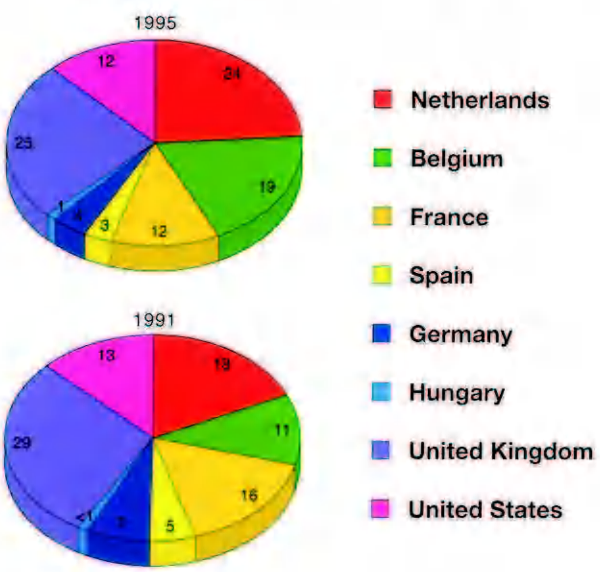
As a result of revaluations, purchase and disposal of property, investments in the existing portfolio and movements in exchange rates, the share of offices in the total investment property portfolio fell to 49%. The share of retail properties rose from 37% to 44% whereas the share of other commercial buildings, comprising industrial properties and apartments, slipped from 8% to 7%. Movements in the geographical composition led to a rise in the share represented by Continental Europe from 60% to 63% and falls in the United Kingdom and the United States by 1% to 25% and by 2% to 12% respectively. Purchases of property took place in the Netherlands and the United Kingdom to a total amount of NLG 7 mln. Disposals totalling NLG 37 mln, almost equal to the book value at the end of 1994, took place in France, the Netherlands and the United Kingdom. Improvements and additions to existing properties amounted to NLG 56.5 mln. There was a downward adjustment to the portfolio

Distribution of investment properties




valuation of 2.5% in local currency terms, most of which took place during the first half year. This adjustment affected the portfolios in France, Spain and the United States. No adjustments took place in the Netherlands and Germany. The Belgian and

Geographical distribution of investments (in %)




United Kingdom portfolios underwent modest downward revaluations; the value of the Hungarian properties was raised. At the end of 1995, the value of the total portfolio amounted to NLG 2,335 mln.

During the last nine years the sale of properties has realized NLG 1,386 mln, equivalent to an annual average of approximately 6% of the portfolio.

### Sales proceeds and sales profit 1987 – 1995
(investment properties and trading portfolio)

**Net proceeds**
(x NLG 1 mln)

| | Netherlands | Belgium | France | Germany | 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 |
| 1995 | 1.7 | – | 29.3 | – | 5.2 | – | 36.2 |
| | 337.6 | 129.2 | 206.6 | 147.0 | 546.8 | 18.9 | 1,386.1 |

**Net proceeds**
(as a % of bookvalue)

| | Netherlands | Belgium | France | Germany | 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 |
| 1995 | 113 | – | 97 | – | 103 | – | 98 |
| | 105 | 108 | 101 | 104 | 116 | 104 | 108 |

As the table shows sales proceeds exceeded the book value as determined by the most recent valuations in the vast majority of cases. Currency movements have been eliminated.

The revaluation figures in the following country market reviews have been calculated in local currencies; the key economic figures have been drawn from the December 1995 edition of the OECD publication 'Economic Outlook'.

## Belgium

| | 1995 | 1994 |
|---|---|---|
| Economic growth | 2.1% | 2.2% |
| Inflation | 1.5% | 3.0% |
| Growth in private consumption | 1.4% | 1.3% |
| Growth in employment | 0.3% | -0.6% |
| Unemployment rate | 12.9% | 12.9% |

Taken as a whole the office rental market in the Brussels conglomeration showed a slight improvement. The take-up of office space amounted to approximately 400,000 m$^2$, well above the figure for 1994, partly as a result of an increased demand for accommodation on the part of the European Union and the Flemish Government. There was a net reduction in the vacancy rate by around 0.5% to just under 8%. Only 10% of the office space available for rent can be regarded as being of top quality. Tenants are showing increasing interest in modern office space on the outskirts, largely because the secondary housing costs, such as taxes, are considerably lower there than in the business districts in and around the city centre. Market rents for modern, well-fitted office space appear to be stabilizing. In the city centre and the Quartier Léopold market rents vary from BEF 7,500 – 8,000 per m$^2$. Interest in older, unrenovated buildings is practically non-existent and so market rents for such properties have fallen further. The dearth of transactions on the investment market can be explained by the high stamp duty on the purchase of property and the limited supply of top-class, well-let buildings.

Wereldhave's office portfolio has a high occupancy rate and the buildings are technically and economically up-to-date. Extensions to existing leases and contracts with new clients have involved the renovation of a number of floors in some of the office buildings.

As in 1994, growth in private consumption was only modest. Belgium too is one of the countries in which turnover and sales margins in some branches of the retail trade have come under pressure, leaving little or no scope for improving rental conditions. Rents for shops in prime locations have in general remained unchanged or risen slightly. There has been another increase in shopping centre floor space, resulting largely from the opening of four new centres with sizes varying from 10,000 m$^2$ (Gent South) to 30,000 m$^2$ (Belle-Ile, Liège).

Wereldhave's Belgian retail portfolio performed excellently in 1995. Rental income rose considerably as a result of the opening of the Belle-Ile shopping centre, which had been fully let, as well as rent increases on existing leases and new rental contracts. The shopping centre in Nivelles (15,400 m$^2$) underwent a thorough renovation both internally and externally. This has created fifteen new shop units which have since been let on favourable terms. Renovation of the 'Les Bastions' shopping centre in Doornik (14,300 m$^2$) got under way and will be completed by the end of March 1996. Extensions and changes to the ground plan mean that there will be fifteen additional shop units; all have been pre-let. Wereldhave's Belgian shopping portfolio covers a total sales space of 64,500 m$^2$, occupied by 240 tenants.

All in all 1995 was another good year for the Belgian portfolio. Rental income lost through vacancies amounted to 2.3%. The valuation of the portfolio was adjusted downwards by 0.9%; at the end of 1995 the value amounted to NLG 437.6 mln.



The Nivelles shopping centre after refurbishment in 1995.



### Germany

| | 1995 | 1994 |
|---|---|---|
| Economic growth | 2.1% | 2.9% |
| Inflation | 2.0% | 2.8% |
| Growth in private consumption | 1.8% | 0.9% |
| Growth in employment | −0.3% | −0.7% |
| Unemployment rate | 9.3% | 9.6% |

Traditionally vacancy rates on Germany's office markets have been low. One of the underlying reasons is the reluctance of local authorities to grant permission for speculative office developments. After the fall of the Berlin wall construction activity, in what used to be East Germany, increased markedly, especially in cities such as Berlin and Leipzig. This stimulated the large cities of the old Federal Republic to permit new construction on a large scale. The risks involved now appear to have been higher than had been supposed at the beginning of the 1990's. Vacancy rates on the office markets continued to rise in 1995 and in the large cities frequently exceed 5%. A further deterioration is expected in Berlin which will carry the vacancy rate above 10%. In Frankfurt the vacancy rate is around 8%. Nevertheless, Frankfurt's office rents are still by far the highest in the country. Introduction of the EMU could provide a stimulus to the Frankfurt office market, especially in the immediate vicinity of the headquarters of the future European Central Bank.

The increase in vacancy rates has had the effect of depressing effective market rents in most cities, but the effect on net initial yields has as yet been limited. A number of new construction projects, however, have been cancelled. The low level of activity on the investment market against the background of low nominal interest rates shows that investors are now more selective than in the recent past.

There was no improvement in sentiment in the retail markets during the year under review. At the beginning of 1995 the consumer was hit by increases in taxation. With economic growth stagnation from mid-1995 onwards, unemployment rose sharply. These two developments have had a negative effect on retail sales. In general, shop rents have held more or less steady in the western part of Germany but have fallen in the eastern states. Munich and Dusseldorf have retained their position as Germany's two most attractive shopping cities. Cologne's position has weakened a bit but Frankfurt has gained ground. Germany has also seen rapid growth in large-scale discount-type formulae in cheap locations on the outskirts of the cities. The risks of this development for shops in city centres and for shopping centres are not reflected in the low initial yields on these investments.

In view of market conditions no additions were made to the portfolio in 1995. No adjustment was made to the valuation of the fully let office building on Taunusanlage; it was valued at NLG 85.3 mln at the end of 1995.

### France

| | 1995 | 1994 |
|---|---|---|
| Economic growth | 2.7% | 2.9% |
| Inflation | 2.0% | 1.8% |
| Growth in private consumption | 2.0% | 1.5% |
| Growth in employment | 1.2% | 0.5% |
| Unemployment rate | 11.5% | 12.2% |

The rental market for office buildings in the Paris conglomeration has still to pick itself up. The supply of available space fell from last year's level to approximately 4.3 million $m^2$, equivalent to a vacancy rate of 10%. Supply is concentrated in units of up to 1,000 $m^2$; a shortage seems to be arising for units of around 7,000 $m^2$ and larger. Here too a shift is taking place in the qualitative composition of the available space: the share of modern or properly renovated office space in the total available supply has fallen to 40% at the end of 1995 from about 60% two years earlier. The vast majority of tenant demand, around 75%, is still concentrated on the centre of the city and the Western suburbs. Effective rents for prime locations fell by 10% in 1995 to the level of FRF 2,250 per $m^2$. Few investment transactions took place on the office market in the Paris region. Initial yields for top-class office buildings vary between 6 and 7%.




Galerie Marchande at the Parinor Shopping Centre (Paris) with a shop of the GO SPORT chain, a jewelry shop and a restaurant in the food corner.

At the end of the first quarter of 1995 Wereldhave sold its office building at 145-149 Rue de Courcelles (4,500 m$^2$), Paris; the proceeds were almost equal to the book value at the end of 1994. The two remaining office buildings (Quai de Dion Bouton and Rue du Faubourg St. Honoré) have been and are undergoing renovation in order to continue to meet the demands which potential occupants are placing on office space in this tenants' market. This programme has already led to a considerable improvement in occupancy rate at the Quai de Dion Bouton building.

The French shopping sector operated grosso modo under the same conditions as in 1994. Turnover and sales margins are under pressure, which is having a carry-through effect on market rents. Those investors who have invested in shopping centres in recent years with effective rents above the market level then current, have been confronted with net returns on their investment which have often been lower than expected. Against such a background it is not surprising that a large number of shopping centres have been offered for sale, but the asking prices are frequently too high and few transactions have taken place.

Since 1990, Wereldhave has owned the 148 shops which constitute the 'Galerie Marchande' in the Parinor shopping centre at Aulnay-sous-Bois, just north of Paris and close to the Paris-Lille motorway. In addition to running the Galerie Marchande, Wereldhave manages the properties owned directly by the major retail chains in Parinor. The branch mix ensures the optimal provision of goods and services to meet the primary needs of the inhabitants of Parinor's thickly-populated catchment area. Parinor continued to show satisfactory growth in turnover during 1995. The rental income has increased and Wereldhave earned a good financial return from this investment. In the course of 1995 agreement was reached, with the other owners of the centre, over a far-reaching renovation involving an investment of more than FRF 60 mln. All necessary permissions have been granted so that the renovation can be completed in the course of 1996.

In line with market developments the valuation of the French portfolio was lowered by 7.5%. Only the office portfolio was affected. Rental losses through vacancies amounted to 13.1%. At the end of 1995 the portfolio was valued at NLG 290.3 mln.

## Hungary

| | 1995 | 1994 |
|---|---|---|
| Economic growth | 1.0% | 2.5% |
| Inflation | 29.0% | 19.0% |
| Growth in private consumption | n.a. | n.a. |
| Growth in employment | n.a. | n.a. |
| Unemployment rate | 10.0% | 10.4% |

Gross take-up of office space on the Budapest market fell by 30% in 1995. At the end of the year rental activity revived, partly as a result of the completion of several large, modern office buildings in the city centre. Since demand has not kept pace with supply the amount of unlet space in new up-to-date office buildings increased to around 60,000 $m^2$. The wider choice of alternative accommodation has led to a drop in market rents for prime locations from DEM 45 to around DEM 40 per $m^2$ per month. In addition to the abundant supply the worsening traffic congestion in the centre of Budapest has had an effect on the rental level. Remarkably enough the vacancy rate has fallen in the less centrally located district of Buda where the Amfi Center, owned by Wereldhave, is situated. Rental levels in this area have remained stable.

Opportunities for new building activities in Budapest are limited, given current rental levels, the high ground prices and finance costs. New building activities are now being undertaken only if a considerable percentage of the office space can be pre-let. Initial yields on well-fitted office buildings have not fallen and, at 12% or more, remain high.

The retail market has gone through a difficult period as a result of the economy measures which the Government has introduced. Market rents have come under pressure. In addition, over a somewhat longer period the completion of a number of large-scale modern shopping centres will make themselves felt. It is questionable whether the turnovers in these newly-developed centres will grow sufficiently rapidly to permit their profitable exploitation.

Wereldhave's two office buildings in Budapest are fully let. Rental contracts coming up for renewal have been extended. The valuation has been adjusted upwards by a considerable amount. At the end of 1995 the value of the portfolio amounted to NLG 11.6 mln.

## Netherlands

| | 1995 | 1994 |
|---|---|---|
| Economic growth | 3.0% | 2.7% |
| Inflation | 1.5% | 2.4% |
| Growth in private consumption | 2.1% | 2.1% |
| Growth in employment | 1.5% | −0.1% |
| Unemployment rate | 7.7% | 7.6% |

On March 31, 1995 the Netherlands property industry was confronted with a completely unexpected press announcement from the Ministry of Finance introducing with immediate effect, far reaching changes in the legislation governing VAT and stamp duty on property. As a result of these amendments the transfer of the economic ownership of property was made subject to stamp duty at the rate of 6%. At the same time the option to rent or to

The entrance hall of the office building in Agro Business Park, Wageningen.

The entrance hall of Wereldhave's head office in The Hague

purchase with VAT imposed, was reserved for those parties utilizing the premises in question for activities which carry entitlement to recovery of VAT of at least 90% of their total amount. Parliamentary discussion of the proposed legislation went part of the way towards meeting the flood of criticism of the proposal, including the implications for contracts currently in force and was completed towards the end of 1995. The amendment to the option ruling will have no noticeable effect on Wereldhave's rental income.

Absorption of space on the rental market for office buildings did increase slightly during 1995 but the available supply fell only modestly. New speculative construction activity is at a low ebb. There was a net drop in the vacancy rate in the Randstad to marginally below 10%. The modest drop in supply is evidence that the rental market is to an important degree a displacement market. In the Netherlands it is also evident that most unlet older properties, which no longer meet tenants' current requirements, can have a chance of finding occupants only after extensive renovation, provided the location is a good one. It can only be concluded that, to the extent that economic growth and higher employment levels have had a positive effect on the office rental market, this effect has to date been a limited one. During the year a new and fully let office building in Wageningen (2,300 m$^2$; 36 parking spaces) was added to Wereldhave's office portfolio on a net initial yield of over 10%.

In a number of respects the Netherlands retail market exhibits similar trends to those in various other Western European countries: low growth in private consumption, stagnating turnover in several sectors and pressure on margins. These trends do not favour rental growth. Nevertheless, Wereldhave achieved good results with its retail portfolio and rental income increased. The portfolio has no vacancies. At the end of 1995 a beginning was made with the renovation and extension of the Geldrop shopping centre. The total shopping space will be expanded by 700 m$^2$ to 6,400 m$^2$; the extension also includes twelve apartments. Most of the extra shopping space has already been let.

During the fourth quarter agreement was reached for the sale of the Binnenhof shopping centre in Amstelveen, in which Wereldhave has had a 50% share since 1990, to a development syndicate which is to carry out the plans for extending the so-called Stadshart of Amstelveen. Wereldhave's share in the proceeds amounts to NLG 72 mln and exceeds the book value at the end of 1994 by a wide margin. Transfer of the property took place on January 15, 1996. The proceeds are to be applied to, amongst other things, the financing of new property investments such as the Fokker industrial site at the former Ypenburg airfield, acquired in mid-January 1996. This investment amounted to NLG 32 mln. The complex is located along the A4 (The Hague-Rijswijk-Rotterdam) motorway and covers an area of 85,000 m$^2$, with 40,000 m$^2$ of modern industrial buildings and 4,400 m$^2$ of office space. Ypenburg has been zoned for housing and industrial use. Wereldhave foresees attractive rental prospects in view of the excellent location and access, as well as the high standard of the buildings.

The portfolio has an excellent occupancy rate: rental losses from vacancies amount to only 1.3%. On balance there was no change in the valuation of the portfolio. At the end of 1995 it was valued at NLG 562.1 mln. With the sale of De Binnenhof the share of retail properties in Wereldhave's Netherlands portfolio has been reduced by 7% to 47%.

Wereldhave's office building 2 Plaza de la Lealtad, Madrid (3,000 m²).

## Spain

| | 1995 | 1994 |
|---|---|---|
| Economic growth | 3.2% | 2.0% |
| Inflation | 4.8% | 5.1% |
| Growth in private consumption | 2.3% | 0.9% |
| Growth in employment | 2.5% | −0.9% |
| Unemployment rate | 22.7% | 24.2% |

After a number of difficult years the worst seems to be over for Madrid and Barcelona, Spain's main office markets. Market rents for top quality buildings in prime locations in the central business district of Madrid have risen slightly. The average rate is approximately ESB 2,300 per m² per month. The vacancy rate in the centre, measured in terms of surface area, amounts to 7%. Rents in districts outside the centre and on the outskirts have stabilized. Here vacancy rates are still very high, varying from 15% upwards to even 25%. Market rents in prime locations in Barcelona have remained more or less steady within a range lying between ESB 1,800 and 2,200 per m² per month. The absorption level, already low, fell to below that for 1994, partly because the Government, a prominent tenant, had already covered its requirements on favourable conditions in earlier years. Tenant demand in 1995 came principally from the service sector and was targeted towards smaller areas of up to 500 m². In view of the limited supply of high quality buildings in the city centres let at market rates, there were few transactions on the investment markets of these two cities. Initial yields for this type of building vary, according to location, between 6.5% and 7% in Madrid and between 6.75% and 7.75% in Barcelona.

Spain is rapidly remedying its backward position in retailing. A remarkable number of new shopping centres were opened in 1995; fifteen of them in the first half year alone with a total gross surface area of 350,000 m². Another fifteen shopping centres, covering approximately 250,000 m² are expected to be in business by mid-1996. This rapid expansion in shopping space is taking place in anticipation of the Spanish economy achieving its growth potential.

Wereldhave concentrated its attention in 1995 on improving the occupancy rate of the four office properties in its portfolio. Rental losses through vacancies were reduced to 24.5% in 1995. A further improvement is to be expected in 1996. No additions were made to the portfolio. A number of retail development projects on offer were investigated but, in view of the rather modest prospective returns for the time being and the high risks involved in finding tenants, no new properties were acquired. Despite the increase in the occupancy rate of the office portfolio, another downward revaluation, in this case 3.9%, was applied in 1995. At the end of the year the value of the portfolio amounted to NLG 62.8 mln.

## United Kingdom

| | 1995 | 1994 |
|---|---|---|
| Economic growth | 2.7% | 3.8% |
| Inflation | 2.9% | 2.5% |
| Growth in private consumption | 2.0% | 3.0% |
| Growth in employment | 0.5% | 0.3% |
| Unemployment rate | 8.4% | 9.2% |

In contrast to the conjunction of events at the beginning of 1994 the current falling trend in long-term interest rates is not being reflected in an upwards movement in the prices of office buildings. The underlying reason is the failure of the expected rental increases to materialize, apart from in a few sub-markets such as top-quality buildings in the better areas of the West End or the City and at various location along the M25. Tenant inflow to the Docklands, the new business district in East London, is a reflection of the increasing demand for large floorspaces in modern offices at strongly competitive rents; the supply of such property

The entrance hall at 65 Kingsway, London WC2.

in the traditional business districts of London is limited.

The absence of rental growth explains the reluctance on the part of institutional investors to add to their holdings. There has been a clear reduction in the number of investment transactions in the last six months. In many cases rents under existing office leases are higher than market rents. The lengthy term of leases does provide considerable protection to landlords and impedes the departure of tenants to accommodation offered at the current market rate. New contracts, however, increasingly contain a so-called 'break-clause' which comes into operation at the end of the tenth or fifteenth year of the traditional 25-year lease. In the depths of the recession rental holidays of two to three years were granted. Although rent levels have shown no meaningful increases since the recession, the length of these rental holidays has been shortened considerably. Nevertheless, given the fact that there is still an abundant supply of office space in the business districts of Central London, no substantial rent increases can be expected in the near future. The vacancy rate in the City amounts to around 10%; in the West End the figure has fallen to just under 8%. In the United Kingdom vacancies are also concentrated in older buildings.

Retail rents have, in general, risen slightly but the modest growth of consumer expenditure means that there is little need for shopkeepers to take on more sales space.

Rent revisions and new leases have increased Wereldhave's rental income in 1995. The occupancy rate of the portfolio is high, especially in the light of general market conditions; rent losses through vacancies amounted to 3% (1994: 4%). Two properties were sold during the year under review. The sales proceeds exceeded the book value at the end of 1994. A building in the Carnaby complex was acquired. The portfolio underwent a downward revaluation of 1%. At the end of 1995 the portfolio was valued at NLG 591.8 mln.

## United States

| | 1995 | 1994 |
|---|---|---|
| Economic growth | 3.3% | 4.1% |
| Inflation | 2.2% | 2.1% |
| Growth in private consumption | 3.0% | 3.5% |
| Growth in employment | 1.6% | 3.1% |
| Unemployment rate | 5.6% | 6.1% |

Conditions on office markets in the United States vary widely from one geographical region or large city to another. In Dallas, for instance, a recovery in the rental market is clearly under way. This is certainly not yet the case in a city such as Philadelphia. In New York the municipal authority has set up a Commercial Revitalization Plan for downtown Manhattan. Through tax reductions and energy subsidies it is intended to improve the climate for setting up business and to stimulate the conversion of buildings to residential or mixed use. The office market in Washington has held steady although contracts coming up for renewal can often be extended only at effective rents below the levels prevalent at the beginning of the 1990's. In most large cities the vacancy rate continues to fall slowly although there continue to be big differences between individual cities, from 12% in Washington to levels which are still above 30% in the centre of Dallas. In the middle of this range can be found the markets in down-town New York (over 19%) and Philadelphia (almost 17%).

The occupancy rate of the portfolio improved slightly in 1995: the rent loss through vacancies amounted to 18.4%. Thanks to a recently agreed lease for 13,100 $m^2$ the Pacific Place building (29,700 $m^2$) in Dallas was fully let at the end of the year. Leases were renewed on the two office buildings in New York and new lease contracts were sign-

The fully let office building Pacific Place, Dallas (29,000 m²).

ed in respect of the buildings in Philadelphia and Washington: the net effect is that the occupancy rate has been successfully maintained. With excess supply still in existence, potential tenants are in no hurry to make up their minds on offers for the rental of office space. Given the recent letting in Dallas and negotiations which are under way on lease contracts for space that is still unlet in other buildings in the portfolio, the occupancy rate can be expected to improve in 1996.

Retail sales in the United States rose by approximately 2.5% in nominal terms in 1995. The turnover of smaller shops in the large regional shopping-centres grew by 1%, well below the average growth rate. The main contributory factors are the increasing competition from the expanding discount formulae chains and additions to the stock of shops through new construction. The number of 'power centres' and 'factory-outlets' has increased rapidly in recent years. These centres are able to generate higher sales per m² than the regional shopping centres. In reaction to these new trends in retailing the traditional regional centres are attempting to retain or increase their drawing power by providing more space for anchor tenants and by raising budgets for crowd-pulling recreational activities. Such measures are largely of a defensive nature. This is certainly the case for the measures affecting anchor tenants since these organizations are usually charged a low rent and contribute little to service costs.

No additions were made to the portfolio in 1995, although several prospective investments in the retail and industrial sectors and a number of apartment buildings were investigated, or, are in the course of being investigated. A downward valuation adjustment of 8.2% was applied to the office portfolio during the year under review. At the end of the year the portfolio was valued at NLG 290.1 mln.

## Organization and staffing

There was an average of 125 employees during in 1995 (1994: 131), 82 of whom worked in the local management in offices in Brussels, The Hague, London, Madrid, New York and Paris. The drop in staffing levels is in part the result of the termination of the activities of the management organization in Germany. A number of staff members left from other parts of the Group. The gap left by their departure was filled by a re-arrangement of responsibilities and activities within the existing corporate structure. During the year under review much attention was spent on further improvements to the management information system and on internal training. We are grateful to our employees for their unstinting efforts and commitment during 1995.

## Prospects

### General

The economic prospects for 1996 are generally viewed as being moderately positive. The absence of any inflationary threat leads one to assume that the current low nominal interest rates will not come under upward pressure. Although economic growth is currently slowing it is expected to pick up again in the second half of the year as a result, inter alia, of the stimulatory effect of low interest rates on consumer expenditure. Economic growth has as yet failed to bring about any marked reduction in the still high unemployment figures in the Western countries and expectations for 1996 in this area are none too optimistic. If short-term and long-term interest rates remain low during the period leading up to the introduction of the EMU, a further appreciation of the Continental European currencies against the US Dollar and the Sterling is unlikely.

### Policy

Our selective and flexible purchases and sales policy will be continued in 1996. The selective character can be seen in our insistence on properties having to contribute towards the direct investment result per share. Flexibility is reflected mainly in the choice of investment vehicle – shopping centres, offices, industrial properties and apartment buildings – with the geographical emphasis on Europe and North America. Meaningful additions to the portfolio are viewed principally as a means towards increasing profits. The accelerated economic and technical obsolescence with which, in comparison to the past, the property industry is now confronted, necessitate an approach to the market characterized not only by timely adjustments to the portfolio and extra investments in buildings already owned but also an appropriate valuation and a gross rental income which permit a profitable cost coverage per $m^2$. The adjustments which Wereldhave has applied to its portfolio in recent years and the upgrading, both planned for the future or already implemented, of the shopping centres in the Netherlands, Belgium and France are examples of the policy measures mentioned above.

### Results 1996

Wereldhave foresees further gradual improvement in the occupancy rate of the property portfolio in 1996, more specifically in the United States, France and Spain. This will have a positive effect on gross rental income and, amongst others, through lower landlord's service charges on vacant space, on operating costs. Wereldhave expects that in current market conditions specific opportunities will arise to improve and expand the portfolio. Under these circumstances, and barring unforeseen developments, Wereldhave expects to maintain the profit per share at least at the level achieved in 1995.

**Board of Management Wereldhave N.V.**

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

The Hague, February 22, 1996

# Consolidated balance sheet at December 31, 1995

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

| | note | 1995 | | 1994 | |
|---|---|---|---|---|---|
| **Investments** | | | | | |
| investment properties | 1 | **2,331.6** | | 2,308.9 | |
| other investments | 2 | **3.2** | | 149.5 | |
| | | | **2,334.8** | | 2,458.4 |
| **Working capital** | | | | | |
| accounts receivable | 3 | **52.7** | | 64.2 | |
| cash and bank balances | 4 | **53.3** | | 39.8 | |
| short-term debt | 5 | **./. 213.0** | | ./. 213.6 | |
| | | | **./. 107.0** | | ./. 109.6 |
| | | | **2,227.8** | | 2,348.8 |
| **Long-term debt** | | | | | |
| loans | 6 | **./. 874.5** | | ./. 914.4 | |
| other liabilities | 7 | **./. 8.3** | | ./. 9.2 | |
| | | | **./. 882.8** | | ./. 923.6 |
| **Provisions** | 8 | | **./. 26.7** | | ./. 23.0 |
| **Shareholders' equity** | | | **1,318.3** | | 1,402.2 |

*) See note 5 on page 27 and the proposed distribution of profits on page 35.

## Consolidated profit and loss account for 1995

*(× NLG 1 mln)*

| | note | 1995 | | 1994 | |
|---|---|---|---|---|---|
| **Investment income** | | | | | |
| gross rental income | 1 | **218.0** | | 214.7 | |
| operating costs | 1 | **./. 33.0** | | ./. 33.8 | |
| net rental income | 1 | | **185.0** | | 180.9 |
| **Costs** | | | | | |
| interest | 2 | **./. 57.0** | | ./. 55.0 | |
| general costs | 3 | **./. 14.7** | | ./. 15.8 | |
| | | | **./. 71.7** | | ./. 70.8 |
| direct investment result before tax | | | **113.3** | | 110.1 |
| taxes on corporate income | | | **-** | | 0.1 |
| **Direct investment result** | | | **113.3** | | 110.2 |

## Movements in shareholders' equity for 1995

*(× NLG 1 mln)*

| | 1995 | 1994 |
|---|---|---|
| direct investment result | **113.3** | 110.2 |
| indirect investment result | **./. 122.2** | ./. 124.5 |
| proposed dividend*) | **./. 110.7** | ./. 107.9 |
| retained cash dividends | **35.7** | 50.1 |
| issues of shares | **-** | 92.8 |
| **Decrease/increase in shareholders' equity** | **./. 83.9** | 20.7 |

# Notes to the accounts

## Consolidation

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

## Terminology

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

## Foreign currencies

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

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

| | **1995** | 1994 |
|---|---|---|
| 100 BEF | **NLG 5.448** | NLG 5.45 |
| 100 FRF | **32.75** | 32.455 |
| 100 ESB | **1.321** | 1.318 |
| 1 DEM | **1.1195** | 1.1202 |
| 100 HUF | **1.149** | 1.554 |
| 1 GBP | **2.474** | 2.7115 |
| 1 USD | **1.6025** | 1.7355 |

## 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 capital gains and losses, 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 investments 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 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 represents the discounted value of contingent liabilities to taxation arising from differences against the valuation of assets and liabilities in the accounts and for tax purposes, taking into account 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 premium
- 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 direct and the indirect investment result and movements on account of share issues and dividend. The 1994 bonus issue resulted in retained cash dividends in 1995.

The principal components of the indirect investment result are:
- valuation adjustments on investments and movements in contingent 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 the previous year's valuations, exchange rate differences and movements in contingent tax liabilities are accounted for in the revaluation reserve. Differences from previous valuations, exchange rate differences and movements in contingent tax liabilities which were accounted for in the general reserve up to and including 1994, are included in the revaluation reserve as of January 1, 1995. This change of presentation gives a better understanding of the accumulated indirect investment results. Consequently, the general reserve amounts to NLG 369.4 mln at January 1, 1995 instead of ./. NLG 289.6 mln. Comparative figures are adjusted accordingly.

# Notes to the consolidated balance sheet at December 31, 1995

*(× NLG 1 mln)*

| | | **1995** | 1994 |
|---|---|---|---|
| 1 | **Investment properties** | | |
| | balance at January 1 | **2,308.9** | 2,341.5 |
| | exchange rate difference | **./. 83.5** | ./. 83.9 |
| | | **2,225.4** | 2,257.6 |
| | purchases/expenditures | **52.4** | 86.9 |
| | transferred from other investments | **150.4** | 59.7 |
| | | **2,428.2** | 2,404.2 |
| | disposals | **./. 36.7** | ./. 39.8 |
| | | **2,391.5** | 2,364.4 |
| | valuation adjustments | **./. 59.9** | ./. 55.5 |
| | balance at December 31 | **2,331.6** | 2,308.9 |
| 2 | **Other investments** | | |
| | balance at January 1 | **149.5** | 76.9 |
| | exchange rate difference | **-** | ./. 1.9 |
| | | **149.5** | 75.0 |
| | purchases/expenditures | **4.1** | 146.1 |
| | transferred to investment properties | **./. 150.4** | ./. 59.7 |
| | | **3.2** | 161.4 |
| | disposals | **-** | ./. 3.0 |
| | | **3.2** | 158.4 |
| | valuation adjustments | **-** | ./. 8.9 |
| | balance at December 31 | **3.2** | 149.5 |

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

| | | **1995** | 1994 |
|---|---|---|---|
| 3 | **Accounts receivable** | | |
| | prepaid costs (partly long-term) | **18.9** | 18.5 |
| | tax recoverable | **1.6** | 11.7 |
| | debtors | **16.3** | 13.5 |
| | other | **15.9** | 20.5 |
| | | **52.7** | 64.2 |

| | **1995** | 1994 |
|---|---|---|
| **4 Cash and bank balances** | | |
| bank term deposits | **15.5** | 3.5 |
| cash at banks | **37.8** | 36.3 |
| | **53.3** | 39.8 |

The average interest rate of the deposits is 3,8% at December 31, 1995 (1994: 5.7%).

| | **1995** | 1994 |
|---|---|---|
| **5 Short-term debt** | | |
| dividend | **110.9** | 108.1 |
| taxes | **18.4** | 17.9 |
| fixed-term loans and overdrafts | **0.9** | 13.2 |
| creditors and other debts | **82.8** | 74.4 |
| | **213.0** | 213.6 |

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

| | **1995** | 1994 |
|---|---|---|
| **6 Loans** | | |
| balance at January 1 | **914.4** | 1,021.3 |
| exchange rate difference | **./. 30.6** | ./. 36.5 |
| | **883.8** | 984.8 |
| new loans | **166.8** | 224.7 |
| redemptions | **./. 176.1** | ./. 295.1 |
| balance at December 31 | **874.5** | 914.4 |
| Redemption scheme: | | |
| 1 to 2 years | **176.1** | 272.2 |
| 2 to 5 years | **452.7** | 447.9 |
| 5 years or more | **245.7** | 194.3 |
| | **874.5** | 914.4 |

Loans to the amount of NLG 183.7 mln are secured on property (1994: NLG 200.4 mln).
Loans can be illustrated as follows:

| Currency | Distribution percentage December 31 **1995** | 1994 | Average interest rate December 31 **1995** | 1994 |
|---|---|---|---|---|
| NLG | **24.0** | 22.8 | **6.2** | 6.8 |
| BEF | **22.5** | 23.4 | **4.7** | 6.2 |
| FRF | **10.3** | 9.7 | **6.4** | 6.0 |
| ESB | **2.6** | 2.5 | **9.8** | 8.2 |
| GBP | **22.3** | 22.6 | **7.7** | 7.9 |
| USD | **18.3** | 19.0 | **7.9** | 7.9 |
| | **100.0** | 100.0 | **6.6** | 7.2 |

7 **Other long-term liabilities**

This item consists of tenants' deposits.

8 **Provisions**

| | **1995** | 1994 |
|---|---|---|
| provision for contingent tax liabilities | **26.7** | 23.0 |

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

9 **Items not included in the balance sheet**

At December 31, 1995 the Group can be held liable for an amount of NLG 11.9 mln (1994: NLG 12.1 mln). The Group gave an option to a third party to purchase property to an amount of NLG 85.3 mln.

In 1995 agreement was reached with third parties to sell property as at January 1, 1996 to the value of NLG 72 mln and to purchase property for NLG 30 mln as at January 16, 1996.

# Notes to the consolidated profit and loss account for 1995

*(× NLG 1 mln)*

## 1 Rental income

Rental income is specified as follows:

| | Gross rental income | | Operating costs | | Net rental income | |
|---|---|---|---|---|---|---|
| | **1995** | 1994 | **1995** | 1994 | **1995** | 1994 |
| Netherlands | **57.8** | 55.6 | **6.4** | 6.2 | **51.4** | 49.4 |
| Belgium | **34.4** | 23.0 | **2.2** | 2.2 | **32.2** | 20.8 |
| France | **22.5** | 26.2 | **2.9** | 2.6 | **19.6** | 23.6 |
| Spain | **3.7** | 2.4 | **1.2** | 0.7 | **2.5** | 1.7 |
| Germany | **4.7** | 4.5 | **0.3** | 0.5 | **4.4** | 4.0 |
| Hungary | **1.8** | 1.9 | **0.1** | 0.1 | **1.7** | 1.8 |
| United Kingdom | **61.3** | 63.1 | **7.6** | 7.5 | **53.7** | 55.6 |
| United States | **31.8** | 38.0 | **12.3** | 14.0 | **19.5** | 24.0 |
| | **218.0** | 214.7 | **33.0** | 33.8 | **185.0** | 180.9 |
| Offices | **111.3** | 121.1 | **21.3** | 23.5 | **90.0** | 97.6 |
| Shops | **86.8** | 74.2 | **9.9** | 8.7 | **76.9** | 65.5 |
| Other | **19.9** | 19.4 | **1.8** | 1.6 | **18.1** | 17.8 |
| | **218.0** | 214.7 | **33.0** | 33.8 | **185.0** | 180.9 |

Loss of rental income due to voids amounted to 6.5% of the theoretical rent (1994: 7.7%). The theoretical rent is the sum of gross rental income and the loss of rent due to voids.

| | **1995** | 1994 |
|---|---|---|
| **2 Interest** | | |
| interest paid | **61.5** | 68.7 |
| interest received | ./. **2.5** | ./. 8.0 |
| | **59.0** | 60.7 |
| less: capitalized interest costs | ./. **2.0** | ./. 5.7 |
| | **57.0** | 55.0 |
| **3 General costs** | | |
| personnel | **12.8** | 13.1 |
| remuneration of Supervisory Board | **0.3** | 0.3 |
| advisory and audit fees | **1.8** | 2.4 |
| other | **4.6** | 6.0 |
| | **19.5** | 21.8 |
| less: costs of asset management | ./. **4.8** | ./. 6.0 |
| | **14.7** | 15.8 |

4 **Other**

Salaries amount in total to NLG 11.5 mln (1994: NLG 12.7 mln), social and collective security contributions to NLG 2.2 mln (1994: NLG 2.1 mln), and pension costs to NLG 3.3 mln (1994: NLG 1.9 mln). The remuneration of the Board of Management and former Board Members amounts to NLG 1 mln (1994: NLG 0.8 mln) including voluntary social and collective security contributions and pension costs. An average of 125 people has been employed by the Group during 1995 (1994: 131).

## Consolidated statement of source and application of funds

*(× NLG 1 mln)*

| | **1995** | 1994 |
|---|---|---|
| **Source of funds** | | |
| direct investment result | **113.3** | 110.2 |
| capitalized interest costs | **./. 2.0** | ./. 5.7 |
| | **111.3** | 104.5 |
| sales | **36.7** | 42.8 |
| new loans | **166.8** | 224.7 |
| share issues | **-** | 92.8 |
| exchange rate differences | **0.1** | ./. 3.4 |
| | **314.9** | 461.4 |
| **Application of funds** | | |
| purchases/expenditures in properties | **54.5** | 227.4 |
| redemptions on loans | **176.1** | 295.1 |
| dividend | **75.0** | 57.8 |
| other movements in revaluation reserve | **5.6** | 6.5 |
| movements in provisions | **0.2** | 6.1 |
| movements in other long term liabilities | **0.9** | 0.9 |
| | **312.3** | 593.8 |
| **Increase/decrease in working capital** | **2.6** | ./. 132.4 |

# Company balance sheet at December 31, 1995

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

| | note | 1995 | | 1994 | |
|---|---|---|---|---|---|
| **Investments** | | | | | |
| investment properties | | **531.3** | | 523.4 | |
| investments in group companies | 1 | **783.9** | | 816.5 | |
| other investments | 2 | **455.3** | | 769.8 | |
| | | | **1,770.5** | | 2,109.7 |
| **Working capital** | 3 | | | | |
| accounts receivable | | **4.6** | | 14.1 | |
| cash and bank balances | | **25.9** | | 7.4 | |
| short-term debt | | **./. 153.2** | | ./. 157.9 | |
| | | | **./. 122.7** | | ./. 136.4 |
| | | | **1,647.8** | | 1,973.3 |
| **Long-term debt** | | | | | |
| loans | 4 | | **./. 329.5** | | ./. 571.1 |
| **Shareholders' equity** | | | **1,318.3** | | 1,402.2 |
| **Composition of shareholders' equity** | | | | | |
| paid-up and called-up share capital | 5 | | **311.6** | | 303.7 |
| share premium | 6 | | **1,380.2** | | 1,388.1 |
| revaluation reserve | 7 | | **./. 781.2** | | ./. 659.0 |
| general reserve | 8 | | **407.7** | | 369.4 |
| | | | **1,318.3** | | 1,402.2 |

# Company profit and loss account for 1995

*(× NLG 1 mln)*

| | note | 1995 | 1994 |
|---|---|---|---|
| direct investment result | 9 | **63.1** | 65.5 |
| results of group companies | | **50.2** | 44.7 |
| **Operating result** | | **113.3** | 110.2 |

*) See note 3 on page 32 and the proposed distribution of profits on page 35.

# Notes to the company balance sheet at December 31, 1995 and profit and loss account for 1995

*(× NLG 1 mln)*

## General

For the basis of valuation of assets and liabilities and the accounting polities for determining results, the reader is referred to the Notes to the accounts.

The Company has made use of the exemption referred to in Article 402, book 2.9 of the Netherlands Civil Code.

## 1 Investments in group companies

| Movements are as follows: | **1995** | 1994 |
|---|---|---|
| balance at January 1 | **816.5** | 880.4 |
| investments during the year | **5.1** | 12.3 |
| | **821.6** | 892.7 |
| results | **50.2** | 44.7 |
| valuation adjustments | **./. 83.0** | ./. 89.4 |
| profit distributions | **./. 4.9** | ./. 31.5 |
| balance at December 31 | **783.9** | 816.5 |

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 Netherlands Civil Code, has been deposited with the Chamber of Commerce in The Hague.

## 2 Other investments

On account of relations with group companies NLG 359.4 mln (1994: NLG 665.1 mln) is included amongst other investments.

## 3 Working capital

On account of relations with group companies NLG 2.3 mln (1994: NLG 2.3 mln) is included amongst accounts receivable and NLG 14.5 mln (1994: NLG 9.9 mln) amongst short-term debt.

Short-term debt includes the sum needed to meet dividend obligations in respect of the 1995 financial year should all shareholders opt for a cash dividend.

## 4 Loans

On account of relations with group companies NLG 64.6 mln (1994: NLG 266.8 mln) is included amongst long-term debt.

## 5 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) **1995** | 1994 |
|---|---|---|---|---|
| ordinary shares | 20 | 500,000,000 | **304,099,680** | 296,229,940 |
| 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 | **334,099,880** | 326,230,140 |
| less: uncalled preference capital | | | **./. 22,500,000** | ./. 22,500,000 |
| | | 1,000,000,000 | **311,599,880** | 303,730,140 |

| Changes in issued share capital: | **1995** | 1994 |
|---|---|---|
| balance at January 1 | **296.2** | 271.2 |
| stock dividend | **7.9** | 8.6 |
| share issues | **–** | 16.4 |
| balance at December 31 | **304.1** | 296.2 |

At December 31, 1995 there are 15,204,984 ordinary shares, 1,500,000 preference shares and 10 'A' priority shares in issue. 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".

## 6 Share premium

| | **1995** | 1994 |
|---|---|---|
| balance at January 1 | **1,388.1** | 1,320.3 |
| stock dividend | **./. 7.9** | ./. 8.6 |
| share issues | **–** | 76.4 |
| balance December 31 | **1,380.2** | 1,388.1 |

The share premium at December 31, 1995 includes an amount of NLG 1,349 mln exempted from tax (1994: NLG 1,357 mln).

| | | 1995 | 1994 |
|---|---|---|---|
| 7 | **Revaluation reserve** | | |
| | balance at January 1 | **./. 659.0** | ./. 534.5 |
| | valuation adjustments on investments | **./. 59.9** | ./. 64.4 |
| | exchange rate differences | **./. 52.8** | ./. 52,8 |
| | movements in contingent tax liabilities | **./. 3.9** | ./. 0,8 |
| | other movements | **./. 5.6** | ./. 6.5 |
| | balance at December 31 | **./. 781.2** | ./. 659.0 |
| 8 | **General reserve** | | |
| | balance at January 1 | **369.4** | 317.0 |
| | retained cash dividends | **35.7** | 50.1 |
| | added according to proposal for distribution of profits | **2.6** | 2.3 |
| | balance at December 31 | **407.7** | 369.4 |

### 9 Direct investment result

On account of relations with group companies an amount of NLG 22.7 mln (1994: NLG 21.9 mln) is included in the direct investment result for the excess of interest income over interest charges.

### 10 Items not included in the balance sheet

The company has given guarantees on behalf of group companies to third parties for an amount totalling NLG 486 mln (1994: NLG 423 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 22, 1996

WERELDHAVE

# Property schedules Wereldhave N.V.

# Investment properties at December 31, 1995

(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 1996 (× NLG 1 mln) |
|---|---|---|---|---|---|
| **Belgium** | | | | | |
| **Brussels** | | | | | |
| 1-8 Boulevard Bischoffsheim | office | 12,800 | 150 | 1988 | 6.4 |
| 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 | 1.6 |
| 22 Muntplein/Schildknaapstraat | office | 7,700 | 34 | 1987 | 2.8 |
| 58 Regentlaan | office | 3,100 | 34 | 1975 | 1.5 |
| **Liège** | | | | | |
| 1 Quai des Vennes | shopping centre | 30,000 | 1,650 | 1995 | 13.3 |
| **Nijvel** | | | | | |
| 10 Steenweg op Bergen | shopping centre | 15,400 | 800 | 1995 | 3.3 |
| **Doornik** | | | | | |
| 22 Boulevard Walter de Marvis | shopping centre | 14,300 | | 1979 | 2.6 |
| Properties with an open market value less than NLG 10 mln | | 11,700 | | | 3.9 |
| | | 109,500 | | | 39.8 |
| **Germany** | | | | | |
| **Frankfurt** | | | | | |
| 21 Taunusanlage | office and shops | 4,700 | 4 | 1990 | 4.6 |
| **France** | | | | | |
| **Paris and environs** | | | | | |
| 29-30 Quai de Dion Bouton; Puteaux | office | 18,100 | 411 | 1987 | 5.5 |
| 56 Rue du Faubourg Saint Honoré/ 4-14 Rue d'Aguesseau (50%) | office | 6,400 | 50 | 1986 | 4.8 |
| Shopping centre Parinor, Le Haut de Galy; Aulnay-sous-Bois | shopping centre | 32,200 | | 1974 | 16.0 |
| | | 56,700 | | | 26.3 |
| **Hungary** | | | | | |
| **Budapest** | | | | | |
| Properties with an open market value less than NLG 10 mln | | 3,200 | 37 | | 1.8 |
| **The Netherlands** | | | | | |
| **Amstelveen** | | | | | |
| Shopping centre De Binnenhof, 10 Binnenhof (50%) | shopping centre and office | 9,850 | | 1988 | 5.0 |
| **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 | 1.6 |
| **Doorn** | | | | | |
| Park Boswijk, Boswijklaan | apartments | 33,300 | | 1974 | 3.8 |
| **Etten-Leur** | | | | | |
| Shopping centre Etten-Leur, 1-72 Winkelcentrum | shopping centre and office | 21,200 | | 1980 | 4.9 |
| **Geldrop** | | | | | |
| 62-87 De Heuvel | shops with apartments | 5,700 | | 1973 | 1.3 |
| **The Hague and environs** | | | | | |
| 4-14 Carnegielaan | office | 4,100 | 59 | 1988 | 1.1 |
| 366-370 Sir Winston Churchilllaan; Rijswijk | office | 50,000 | 656 | 1986 | 12.2 |
| 1-8 Koningin Julianaplein | office | 11,600 | 79 | 1993 | 3.2 |
| 2-6 Nieuwe Havenstraat; Voorburg | office | 19,000 | 351 | 1988 | 3.6 |
| 12 Veraartlaan; Rijswijk | office | 5,600 | 87 | 1991 | 1.4 |
| **Leiderdorp** | | | | | |
| Shopping centre Winkelhof, Winkelhof | shopping centre | 14,800 | 750 | 1990 | 4.9 |
| **Nuth** | | | | | |
| 15 Thermiekstraat | other commercial space | 17,000 | 690 | 1987 | 2.3 |
| Properties with an open market value less than NLG 10 mln | | 10,200 | | | 2.0 |
| | | 247,650 | | | 59.7 |
| **Spain** | | | | | |
| **Madrid** | | | | | |
| 2 Plaza de la Lealtad | office | 3,000 | | 1972 | 1.2 |
| 15 Calle Fernando El Santo | office | 3,250 | 43 | 1993 | 1.0 |
| **Barcelona** | | | | | |
| 2-4 Rambla de Cataluñya | shops and office | 4,400 | 50 | 1993 | 1.9 |
| 124 Rambla de Cataluñya | shops and office | 2,950 | 16 | 1993 | 0.9 |
| | | 13,600 | | | 5.0 |

| Location | Type | m² | Parking spaces | Year of construction or renovation | Annual rent 1996 (× NLG 1 mln) |
|---|---|---|---|---|---|
| **United Kingdom** | | | | | |
| **Birmingham** | | | | | |
| 24-28 Teall Street & 12-29 The Springs | shopping centre | 3,100 | 350 | 1988 | 1.1 |
| **London and environs** | | | | | |
| 76 Cannon Street, EC4 (leasehold till 2138) | office | 800 | | 1988 | 1.3 |
| The Carnaby Estate, W1 | shops and office | 27,600 | 2 | diverse | 15.4 |
| 14-18 Eastcheap, EC3 (leasehold till 2128) | office | 5,200 | | 1991 | 3.0 |
| 65 Kingsway, WC2 | office | 6,000 | | 1986 | 2.8 |
| 1,3,5 Lower George Street and 1 Eton Street, Richmond-upon-Thames | shops | 2,900 | 10 | 1963 | 1.0 |
| 56 / 70 Putney High Street, SW15 | shops | 4,200 | 44 | 1971 | 1.3 |
| 31-36 Foley Street | office | 3,300 | 12 | 1993 | 1.4 |
| **Redhill** | | | | | |
| Grosvenor House, 65 / 71 London Road | office | 4,700 | 150 | 1986 | 2.0 |
| **Sittingbourne** | | | | | |
| Trinity Trading Estate | other commercial space | 36,500 | 200 | 1982 | 4.1 |
| **Whyteleafe** | | | | | |
| 439 / 445 Godstone Road | office | 7,300 | 270 | 1964 | 1.6 |
| **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 | | 111,800 | | | 25.9 |
| | | 221,200 | | | 61.7 |
| **United States** | | | | | |
| **Dallas** | | | | | |
| 1910 Pacific Place | office | 29,700 | 14 | 1982 | 3.0 |
| **Philadelphia** | | | | | |
| 1515 Market Street | office and shops | 46,900 | | 1986 | 11.8 |
| **New York** | | | | | |
| 20 Exchange Place | office | 60,400 | | 1985 | 14.4 |
| 83 Maiden Lane | office and shops | 12,700 | | 1985 | 2.0 |
| **Washington D.C.** | | | | | |
| 1401 New York Avenue | office | 17,800 | 165 | 1984 | 7.1 |
| | | 167,500 | | | 38.3 |
| **Total** | | 824,050 | | | 237.2 |

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

# Independent valuers

Aguirre Newman, Madrid
Arthur Andersen & Co., Atlanta
Bourdais Expertises S.A., Paris
Debenham Jean Thouard Zadelhoff, Budapest
Healey & Baker, Amsterdam
Healey & Baker, London
Hillier Parker, London
Jones Lang Wootton, London
Nieboer-Gemako, The Hague
S.A. Troostwijk N.V., Antwerp
Troostwijk Roux Sachverstandigengutachten GmbH, Frankfurt
Troostwijk U.K. Ltd., London
Troostwijk MB Valuation Services, Inc., Dallas
Vellinga Makelaardij B.V., Doorn

# Summary of investment properties

The following is a summary of the open market value of the Group's investment properties at December 31, 1995. In accordance with Group accounting policy, valuations in currencies other than Dutch guilders have been converted at rates of exchange ruling at December 31, 1995. The annual rent is calculated on the assumption that the buildings are fully let before deduction operating 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 | 185.2 | 17.0 | 237.7 | 21.2 | 14.7 | 1.6 | 437.6 | 39.8 |
| Germany | 75.1 | 4.2 | 10.2 | 0.4 | – | – | 85.3 | 4.6 |
| France | 112.1 | 10.3 | 178.2 | 16.0 | – | – | 290.3 | 26.3 |
| Hungary | 11.6 | 1.8 | – | – | – | – | 11.6 | 1.8 |
| Netherlands | 187.0 | 23.9 | 303.1 | 28.1 | 72.0 | 7.7 | 562.1 | 59.7 |
| Spain | 50.7 | 3.9 | 12.1 | 1.1 | – | – | 62.8 | 5.0 |
| United Kingdom | 227.8 | 24.0 | 280.6 | 27.8 | 83.4 | 9.9 | 591.8 | 61.7 |
| United States | 281.6 | 36.8 | 8.5 | 1.5 | – | – | 290.1 | 38.3 |
| **Total** | 1,131.1 | 121.9 | 1,030.4 | 96.1 | 170.1 | 19.2 | 2,331.6 | 237.2 |

# 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 and 9 years with a mutual option at the end of a term to extend or renegotiate.
b. Rent increases: annual increases based on increases in the health index.
c. Outgoings: structural maintenance only is for the landlords' 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 landlords' 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 landlords' 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 landlords' 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 landlords' 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: up to 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 in the main all recoverable from the tenants.

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



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