



ANNUAL REPORT  
1997



# Annual Report 1997 Wereldhave N.V.

## Contents

Wereldhave in brief	2
Summary of past 5 years	3
Supervisory Board – Board of Management	4
Report of the Supervisory Board	4
Report of the Board of Management	5
· Introduction	5
· Corporate governance	5
· Financial review	6
· Economic and financial developments	8
· Towards an integrated approach to property: development, investment and management	9
· Investments	10
· Organisation and staffing	19
· Prospects	20
Annual Accounts	21
· Consolidated balance sheet	22
· Consolidated profit and loss account	23
· Movements in shareholders' equity	23
· Consolidated cash flow statement	24
· Notes to the accounts	25
· Notes to the consolidated balance sheet and consolidated profit and loss account	27
· Company balance sheet and profit and loss account	31
· Notes to the company balance sheet and profit and loss account	32
Other information and Auditor's Report	35
Information about Supervisory Board Wereldhave N.V.	37
Property schedules	38

This is the English translation of the official Dutch Annual Report and Accounts 1997.



## 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.

### Organisation

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

### Investments

- **Wereldhave** invests in shopping centres, office buildings, industrial property and apartments. Changes in prospective investment returns and risks lead to regular adjustments in the mix of the 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 international 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 Institutions Supervision Act).

### Financial calendar

- Announcement distribution rate 1997 stock dividend : March 20, 1998
- Annual General Meeting of Shareholders : March 27, 1998
- Dividend payment : April 6, 1998
- Publication 1998 first quarter report : May 4, 1998
- Publication of 1998 half-year report : August 7, 1998
- Publication of 1998 nine-months report : November 2, 1998
- Publication of 1998 Annual Report and Accounts: March 1999

### Information

- Information on Wereldhave is available from banks and stockbrokers or directly from the Company (tel. 31-70-346 93 25, E-mail: investor.relations@wereldhave.com). As from April 1998 Wereldhave will have its own website at <http://www.wereldhave.nl>.

## Summary of past 5 years

	1997	1996	1995	1994	1993
<b>Results</b>					
(× NLG 1 mln)					
Net rental income	188.0	185.8	185.0	180.9	199.8
Profit	136.0	121.5	113.3	108.7	92.7
<b>Balance sheet</b>					
(× NLG 1 mln)					
Investments	2,403.0	2,511.2	2,334.8	2,458.4	2,418.4
Shareholders' equity	1,680.7	1,517.4	1,318.3	1,402.2	1,381.5
Long-term debt	640.2	816.4	882.8	923.6	1,031.4
Indirect investment result	91.3	118.6	./ 122.2	./ 124.5	./ 89.3
<b>Issued ordinary shares of NLG 20 nominal value</b>					
– ranking for dividend at December 31					
	16,495,377	16,041,440	15,204,984	14,811,497	13,558,489
– average number in issue					
	16,380,631	15,759,729	15,096,775	14,496,012	12,236,205
<b>Statistics per dividend ranking ordinary share</b>					
(× NLG 1) <sup>1)</sup>					
Net assets value <sup>2)</sup>	101.43	94.13	86.21	94.07	101.24
Profit	8.22	7.55	7.42	7.30	6.77
Indirect investment result <sup>3)</sup>	6.33	7.55	./ 8.03	./ 7.32	./ 6.96
Dividend	7.25	7.25	7.25	7.24	7.24
	or ...% <sup>4)</sup>	or 5.88%	or 8%	or 8%	or 6.25%
<b>Profit per ordinary share (× NLG 1)</b>					
(based on the average number in issue)					
	8.28	7.68	7.47	7.45	7.50

<sup>1)</sup> The amounts per share up to and including 1994 have been adjusted for the 1994 bonus issue. Adjustment has taken place according to the 'issue method'.

<sup>2)</sup> Assuming all shareholders opt for the full cash dividend rather than the bonus shares.

<sup>3)</sup> Including the effect of issues of new shares and stockdividend.

<sup>4)</sup> To be announced on March 20, 1998.



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

**Supervisory Board**

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

**Board of Management**

G.C.J. Verweij (Chairman)  
R.L.M. de Ruijter

**Report of the Supervisory Board**

To the Annual General Meeting of Shareholders

We have pleasure in submitting the Annual Report of the Board of Management of the Company and the Accounts for the year ended December 31, 1997. Coopers & Lybrand N.V., auditors, have audited the financial statements and have certified the Accounts. We propose the approval of the Accounts and, in accordance with the proposal of the Board of Management, a dividend per ordinary share of NLG 7.25 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 reserve. The distribution rate will be announced on March 20, 1998.

During the year under review, there were five meetings between the Supervisory Board and the Board of Management. In addition, the Chairman of the Supervisory Board holds frequent discussions with the Board of Management on various topics as the need arises. Amongst the subjects discussed with the Board of Management were the results in relation to Wereldhave's strategy and risk profile, the system of internal controls, the rental and investment markets for property, funding, currency and dividend policy, tax matters, organisational structure and staffing.

The Supervisory Board and the Board of Management have furthermore collaborated closely to formulate Wereldhave's point of view with respect to the forty recommendations set out in the report of the Corporate Governance Commission 'Corporate Governance in the Netherlands'. In this respect we refer you to the agenda for the forthcoming Annual General Meeting of Shareholders. As recommended by the Commission on November 20, 1997 rules have been drawn up governing the division of responsibilities and working practices of the Supervisory Board together with a profile outlining the qualities sought in its members. The latter document is available for inspection at the Company's offices. The Supervisory Board will review the profile every two years.

At the Annual General Meeting of Shareholders to be held on March 27, 1998 Messrs. P.J. Vinken and W. Lemstra will retire by rotation. They are proposed for re-election. This proposal is motivated by their valuable contribution to the work of the Supervisory Board; in addition their expertise in corporate governance and their wide experience are qualities required by the profile.

**On behalf of the Supervisory Board**

J.F. Visser, Chairman

The Hague, February 26, 1998

# Report of the Board of Management

## Introduction

In 1997 Wereldhave again earned higher profits. The profit after tax rose from NLG 121.5 mln to NLG 136.0 mln as a result of higher gross rental income, a substantial fall in interest charges and lower general costs. The occupancy rate for the portfolio amounted to 93.6%. The profit per ordinary share increased by 7.8 % from NLG 7.68 to NLG 8.28. A cash dividend distribution of NLG 7.25 or, at the option of the shareholder, a tax-free dividend in bonus shares to be charged to the share premium reserve will be proposed at the Annual General Meeting of Shareholders. The distribution rate of the bonus shares will be announced on March 20, 1998.

In the course of 1997, Wereldhave acquired properties in the Netherlands, Belgium and the United States to the amount of NLG 115.4 mln. Properties were sold in Belgium, the Netherlands, Spain, the United Kingdom and the United States for NLG 485.6 mln. The sales proceeds were in excess of the book value at the end of 1996. Based on market conditions the value of the portfolio increased by 1.3% in local currency terms. At the end of 1997, the portfolio was valued at NLG 2,403 mln. The net assets value per share, after deduction of the full proposed cash dividend, amounted to NLG 101.43 (1996: NLG 94.13 after distribution of profits).

The economies of Europe and the United States grew more strongly than expected. Growth in Europe averaged 1.7%; in the United States it even amounted to 3.8%. In Japan the economy expanded by only 0.5% in 1997, whereas in 1996 there had been a growth rate of 3.5%. The favourable developments in Europe and the United States are principally the result of ongoing liberalisation and globalisation of markets which have boosted growth in investments and exports. Intensifying competition has kept inflation low. The United States and the United Kingdom have profited most from this state of affairs. Their flexible economic structure has enabled these countries to take good advantage of new opportunities.

In Asia, where many currencies were linked to the US Dollar, low interest rates out of line with relatively high inflation levels led to economies overheating. The property sector, in particular, is suffering from the effects of overbuilding. In a number of markets vacancy levels have reached 30%, bringing liquidity problems for property developers. As the Dollar appreciated these problems worsened in the course of the year, giving rise to a wide-ranging financial crisis. The IMF has promised help, but only on the condition of structural reforms of Asia's economies. This implies a downward revision to growth estimates for 1998, not only in Asia but in Europe and the United States as well.

Office markets in both the United States and Europe strengthened during 1997. Increased demand and a relatively low level of new building have driven down vacancy levels. In some markets, especially the United States, the United Kingdom and the Netherlands, there have been considerable increases in rents. Those in most other markets were largely unchanged.

Faster economic growth has allowed retail markets in the United States and Europe to recover to some degree from the excessive expansion in the supply of shopping space at the beginning of the decade. Turnover per square metre has risen. Nevertheless, consumers in general remain cautious as evidenced by the slower growth of private consumption than of the economy as a whole.

The market for industrial property has been fairly stable. Companies have a clear preference for easily accessible modern accommodation. As a result vacancy levels in older industrial sites have been rising steadily.

## Corporate Governance

Wereldhave has adopted most of the recommendations of the Corporate Governance Commission Report 'Corporate Governance in the Netherlands' which was published in June 1997. Wereldhave attaches great importance to a proper balance between the interests of the providers of risk capital and those of parties with a different type of stake in the organisation. This balance requires openness, an adequate flow of information focused on the

company's future and a clearly defined division of duties, responsibilities and powers between all the groups in question. For that matter, many of these items are secured by the fulfilment of Wereldhave's obligations under the Wet toezicht beleggingsinstellingen (Investment Institutions Supervision Act). As suggested by the Commission the subject of corporate governance will be discussed at the Annual General Meeting of Shareholders to be held on March 27, 1998. As an aid to discussion the Report's forty recommendations and Wereldhave's position with respect thereto will be appended to the agenda for the meeting.

## Financial Review

### Results

There was a further increase in Wereldhave's profits in 1997. The profit after tax increased by 12% from NLG 121.5 mln to NLG 136.0 mln. The latter figure includes a positive contribution from currency movements, mainly due to higher average conversion rates for the US Dollar and Sterling, amounting to NLG 7.9 mln. Profit per share, calculated on the basis of the average number of ordinary shares outstanding, rose from NLG 7.68 in 1996 to NLG 8.28 in 1997.

The principal sources of the increase in profits are lower interest charges resulting from a fall in nominal interest rates and loan redemptions, lower general costs and favourable currency movements. The drop in general costs is mainly the result of cost savings. Favourable currency movements, contractual increases in rents and purchases and sales led to a slight increase in net rental income. The indirect investment result amounted to NLG 91.3 mln in 1997 (1996: NLG 118.6 mln), consisting of NLG 31.8 mln arising from asset revaluations and NLG 59.5 mln from currency movements and other items. Net assets value per share, calculated on the basis of the number of ordinary shares in issue at the end of the year ranking for dividend amounted to NLG 101.43 as against NLG 94.13 at the end of 1996.

### Movements in net assets value per ordinary share ranking for dividend (× NLG 1)

	1997	1996
Net assets value at January 1, before distribution of profits	101.38	93.46
Less: previous year's dividend	7.25	7.25
	<hr/> 94.13	<hr/> 86.21
Direct investment result:		
- Profit	8.22	7.55
- Other items	-	0.07
Indirect investment result:		
- Revaluation	1.93	2.32
- Exchange rate differences/ other movements	3.60	5.08
- Effect of share issues and stockdividend	0.80	0.15
	<hr/> 108.68	<hr/> 101.38
Net assets value at December 31, before distribution of profits	108.68	101.38
Less: (proposed) cash dividend	7.25	7.25
	<hr/> 101.43	<hr/> 94.13
Net assets value at December 31, net of (proposed) cash dividend	101.43	94.13

### Equity and debt financing

Wereldhave aims to maintain sound balance sheet ratios to enable it to raise finance quickly for future investments and to limit its sensitivity to possible rises in interest rates. Shareholders opted for bonus shares rather than a cash distribution for 1996 in respect of 48% of the outstanding share capital. This led to an increase of 453,937 shares to bring the total number in issue to nearly 16.5 mln. Favourable currency movements and asset revaluations have also contributed to the growth in shareholders' equity. The sharp rise mainly in the US Dollar (16%) and Sterling (13%) exchange rates boosted shareholders' equity by NLG 67.7 mln. At the end of 1997 shareholders' equity, net of proposed cash dividend, amounted to NLG 1,680.7 mln. Long-term debt has been reduced further to NLG 640.2 mln (1996: NLG 816.4 mln). As from 1997 working capital is no longer netted out in the pres-

entation of the balance sheet figures. Shareholders' equity represented 62.2% of total assets, as against 57.2% at the end of 1996.

As in 1996, long-term interest rates fell in all the countries in which Wereldhave operates. As monetary policy in the countries seeking to qualify for membership of the EMU (European Monetary Union) has converged, money-market rates in these countries have moved towards a common level. In Northern Europe this has meant higher short-term interest rates. On the other hand inflation has remained very moderate and the commitments agreed under the Stability Pact mean that inflation prospects are favourable. In view of these circumstances Wereldhave has continued to borrow at variable rates, albeit to a lesser degree than in 1996 (45% at year-end compared to over 80% a year earlier). In 1998 Wereldhave intends to finance development projects in first instance at variable rates. Should interest rate movements so indicate, the company will utilise rate-fixing facilities in loan covenants and other opportunities for consolidating interest rates. At the end of 1997 the average rate payable on all borrowings amounted to 6.9% (1996: 5.7%), principally as a result of the lapsing of a swap transaction in Sterling whereby the interest payment in question reverted from variable to fixed rate. Total interest charges were substantially lower than in 1996 thanks to, inter alia, loan repayments. Wereldhave aims for a balanced spread of maturities over the medium term with due regard for the flexibility required for investments and sales.

#### **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 37.8%, 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 currency. In addition the Company takes account of the progress being made towards the establishment of the EMU when deciding upon its hedging policy. If the introduction of the Euro goes ahead as planned on January 1, 1999 Wereldhave will as far as possible

adopt Euro-bookkeeping with immediate effect and use the Euro for the annual accounts, billing and similar transactions to the extent that legal, economic and fiscal factors permit.

#### **Dividend**

Wereldhave recognises the preference of certain categories of shareholders for a tax-free distribution of bonus shares. The company's dividend policy, however, 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. To calculate this distribution requirement, capital losses for tax purposes, to the extent that they can no longer be charged to the re-investment reserve, are deducted from the profit for tax purposes. During the period 1992-1995 the Company earned substantial financial profits but capital losses for tax purposes meant that there was no distribution requirement. As a result of capital gains in 1996 and 1997 the distribution deficiencies over the past years have been compensated, so that over the year 1997 the distribution requirement revived. Over 1997, a full optional dividend can be proposed to the Annual General Meeting of Shareholders. A choice will be offered between a full cash dividend of NLG 7.25 or a tax-free dividend in the form of bonus shares to be charged to the tax-exempted share premium reserve. The distribution rate for the bonus shares will be announced on March 20, 1998. In view of Wereldhave's approach to its business which takes account of continuous investment outlays, it is desirable to retain part of the profit within the Company. The Board of Management considers a dividend payout ratio of 75% to 85% of commercial profits, a level already usual in the United States, to be appropriate. The distribution requirement obviously will be taken into account. This payout policy, which is reflected in the dividend proposal described above, will have a positive effect on profitability.



### Share price performance

Wereldhave shareholders enjoyed a total return on their shares of 25.5% (assuming reinvestment of the dividend) in 1997. This is 8.6% higher than the performance figure of the Kempen Property Reinvestment Index (AKX). There has been only a limited reaction on the part of property share prices to low interest rates. At the end of the year Wereldhave shares carried a price/earnings ratio of 15.4. Average daily turnover amounted to 60,000 shares.

The price/earning ratio's (P/E) were as follows:

P/E 1997*)	(x NLG 1)	1997	1996	1995
15.5	Highest price	128.50	109.00	99.00
12.9	Lowest price	107.00	87.50	83.00
15.4	Closing price	127.40	108.00	89.00

\*) In these ratio's, profits per share are calculated on the average number of shares in issue.

A number of major shareholders reduced their holdings during 1997. This has led to a wider distribution of share ownership and more active market in Wereldhave's shares. Two institutions have declared holdings of 5% or more in Wereldhave's equity capital (ordinary shares plus preference shares) as at December 31, 1997: Stichting Pensioenfonds Rabobankorganisatie (Rabobank Pension Fund) with 5% and Stichting tot het houden van Preferente en Prioriteitsaandelen B Wereldhave (Foundation for the holding of Wereldhave preference shares and B priority shares) with 7.5%.

### Economic and financial developments

Inflation figures, interest rates and currency movements in 1997 reflected increased international competition. One of the most remarkable developments in the field of economics and finance was the combination of higher economic growth rates and lower inflation. This phenomenon has occurred not only in Continental Europe, where the economy is still in the process of recovery, but also in the United Kingdom and the United States. The consensus of opinion was that inflation in these two countries would rise in the wake of increasing tension in the labour market. This higher inflation failed to materialise. At least three reasons can be found for this occurrence.

Firstly, firms are meeting increasing resistance to passing on higher costs on to their customers. To maintain their margins they are forced to pay more attention to cutting costs. Consequently, many companies have slimmed their organisations down and carried out labour-saving measures. One measure which is increasingly being considered, is the relocation of corporate activities in cheaper regions.

The rationalisation of government activities and the unleashing of competitive forces through deregulation have also contributed to lower inflation. When deregulation is accompanied by a streamlining of the apparatus of government, deficit falls. Both Europe and the United States have seen sharp drops in governments' financial deficits. The signing of the Stability Pact in Amsterdam points to low budget deficits, not only in the immediate future, but over the longer term as well. It is notable that countries unable or unwilling to participate in the EMU, nevertheless are attempting to meet the eligibility criteria. Countries with an insufficiently flexible economic structure such as Belgium, Germany and France, continue to have problems in getting their governments' finances in order despite today's much lower interest rates. The repeated postponement of necessary reforms in these countries has led to structurally higher unemployment levels which worsen budget deficits. Should money-market rates rise in 1998 and 1999, they will be required to force through the economic reforms in question. A similar development is underway in

Japan where the authorities had for years held off needed reforms. The regional financial crisis is now forcing other Asian countries, under pressure from the IMF, to implement reforms.

Another reason for the unexpected fall in inflation rates is the personal sector's cautious attitude to consumption expenditures. Employment uncertainty can be one factor at work here, but also the ageing of the population in Western countries.

As a result of aforementioned changes affecting the corporate sector, governments and consumers, a discussion has even arisen on the danger of deflation. This scenario is not entirely unrealistic now that the currencies of exporting nations in Asia have depreciated by so much. These lower currency values mean that Western countries will be confronted with increasing competition from Asia.

The statistical material currently available seems to indicate that almost all European countries will meet the criteria set by the Treaty of Maastricht. Recent strength of the U.S. Dollar and the Sterling show that the financial markets are not entirely convinced that the Euro will be a hard currency. Further intensification of competition within a single Euro zone will put countries with less flexible economic structures under even greater pressure to carry out reforms. This opens the way to consistently low inflation, low interest rates and stable currencies.



### Towards an integrated approach to property: development, investment and management

The fact that, over a longer period, construction costs keep pace with the rate of inflation but rents do not, means that initial net rental yields are too low. Factors such as low long-term interest rates and new peaks in Equity prices have led to a renewed increase in property as an investment. One result has been a rush of funds for investment. A direct comparison of net rental yields and net returns on long-term bonds would seem to indicate ample room for capital gain. By approaching property in this way as a 'financial asset' requiring no depreciation, many investors are currently accepting initial yields which are in fact too low. This trend is being reinforced by low nominal interest rates since some participants in the market are assuming that extra profits can be earned on property investment through financial leverage. We are therefore seeing an increase in new building which can be assumed to lead to rising vacancy rates.

Excess supply means increasing competition to let properties: competition of which tenants will only be to willing to take advantage. The first property to find a tenant is the one which combines the lowest price with the best facilities. The requirements which tenants place on their accommodation tend to change rapidly. A direct result of intensified competition and the continual shrinkage of product life cycles is the need for flexibility in the amount of space and rental periods. The technical requirements by tenants on accommodation are also

changing rapidly. Adapting existing properties to these changing demands involves heavy expenditures for structural changes or alterations to installations, so that the investor has to choose between extensive additional costs or lower rental income. A more attractive option is to construct new accommodation meeting the user's requirements at the construction stage, since this is more economical.

By building new properties Wereldhave can add to its portfolio investments meeting all these requirements. Knowledge of property users and their demands is an absolute necessity for developing new properties. On the other hand Wereldhave must take care that meeting the specific requirements of the targeted tenants does not result in a building of limited functionality.

By combining its expertise in property ownership with its knowledge of shifts in property users' requirements, Wereldhave can improve its return on investment. This improvement can be found not only in easier letting. When Wereldhave directs the construction process the price of the property is determined not by the yield which the developer seeks on his investment, but by the actual costs of construction and development. Once all the required permits have been granted Wereldhave lets construction commence and can apply the developer's margin to improving the product. The risk involved differs little from that involved in buying a ready-built property; the difference lies in the return on investment.

In addition Wereldhave can raise profits by managing the portfolio itself. This yields economies of scale in the purchase of goods and services etc. The owner who keeps in direct touch with his tenants when managing the property is the first to discover changes in requirements. In this way owners can progress to becoming providers of both accommodation and related services, to help their tenants work more productively. In-house management also allows the property owner to take account of tenants' wishes at an earlier stage and monitor directly and continuously their properties' maintenance requirements and marketability. Management can thus be considered an essential

part of the business of property ownership which increases not only the owner's knowledge but his profits also.

By combining these three activities, development, investment and management, under one roof, Wereldhave can harvest synergetic advantages. The tenant also benefits from this improvement in service. In this way the management of a property company creates added value. In the final analysis this added value benefits tenants and shareholders.

## Investments

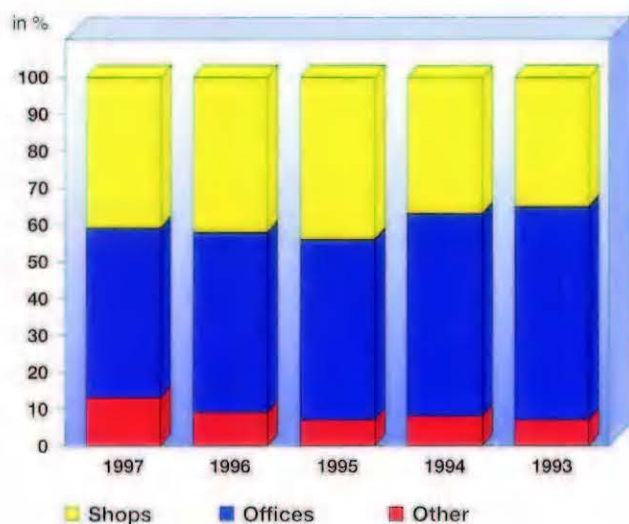
### General

The following table shows the composition of the Company's investment property portfolio and the distribution of the investments for the period 1993-1997.

	1997	1996	1995	1994	1993
<b>Distribution of investment properties (%)</b>					
Shops	41	42	44	37	35
Offices	46	49	49	55	58
Other commercial	13	9	7	8	7
<b>Geographical distribution of investments (%)</b>					
Belgium	19	18	19	17	11
Germany	3	3	4	4	4
France	13	12	12	13	15
Hungary	<1	<1	<1	<1	<1
The Netherlands	26	21	24	22	23
Spain	2	2	3	3	3
United Kingdom	25	31	25	26	26
United States	11	12	12	14	17

The share of retail property in the portfolio fell to 41% at the end of 1997. There was also a drop in the share of office properties to 46%. The residual category, which includes industrial property and apartments, saw its share rise to 13%. These changes can be traced principally to the disposal of the Carnaby Estate, in the UK, in February 1997 and the pur-

Distribution of investment properties



chase of eleven industrial properties from the Nedlloyd Group. The geographical distribution of investments now shows a higher share in Continental Europe (64%) of the total portfolio (1996: 57%),

Properties were acquired in the Netherlands, Belgium and the United States for NLG 115.4 mln. There were disposals in Belgium, Spain, the United Kingdom and the United States amounting to NLG 485.6 mln. Investments in improvements and additions to the portfolio amounted to NLG 68.7 mln. There was a net upward revaluation of 1.3% to the value of the portfolio. The French, Spanish, Hungarian, British and American portfolios were valued upwards. Downward adjustments took place in Belgium, Germany and the Netherlands. At the end of 1997 the portfolio had a total value of NLG 2,403.0 mln. The average occupancy rate in 1997 was 93.6%.

### Sales proceeds and sales profit 1988-1997

(investment and trading portfolio)

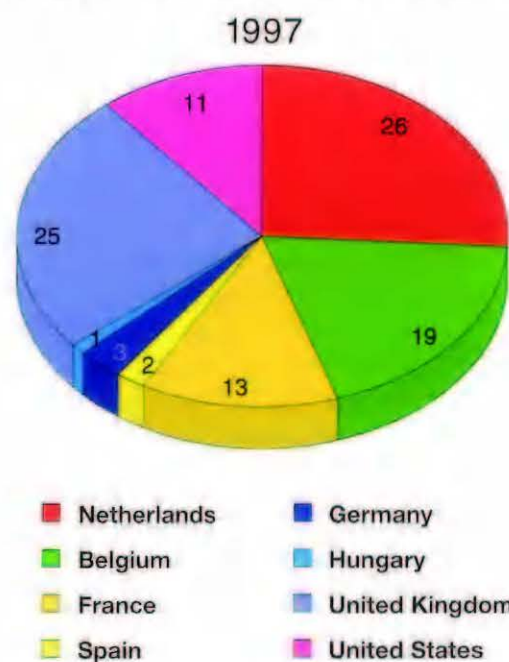
Over the past ten years properties to the value of NLG 1,899 mln have been sold, an average of approximately 7% per annum.

### Net proceeds

(x NLG 1 mln)

	Nether-lands	Bel-gium	France	Ger-many	Spain	U.K.	U.S.	Total
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	-	-	-	-	107.3	-	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
1996	83.4	35.9	-	-	-	10.5	-	129.8
1997	1.5	19.0	-	-	9.0	345.0	111.1	485.6
	417.2	174.9	146.7	147.0	9.0	873.9	130.0	1,898.7

Geographical distribution of investments (in %)



**Net proceeds**

(as a % of book value)

	Nether- lands	Bel- gium	France	Ger- many	Spain	U.K.	U.S.	Total
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
1996	100	106	-	-	-	107	-	102
1997	124	100	-	-	101	101	105	102
average	104	106	101	104	101	110	105	107

As the table shows sales proceeds exceeded the book value at the preceding year-end. Currency movements have been eliminated.

The key economic figures in the following national market reviews have been drawn from the December 1997 edition of the OECD publication 'Economic Outlook'. The revaluation figures have been calculated in local currencies. The occupancy rate is defined as: gross rental income (assuming zero vacancies) minus rental losses due to voids, expressed as a percentage of gross rental income.

**Belgium**

	1997	1996
Economic growth	2.4	1.5
Inflation	1.8	1.6
Growth in private consumption	1.3	1.3
Growth in employment	0.3	0.1
Unemployment rate	12.7	12.8

The Brussels' office market is characterised by increasing competition between the various suppliers of office accommodation. Despite an increase in the gross absorption of office space vacancies have risen. The increase in the take-up is principally the

result of the decision of the European Commission to purchase the Berlaymont building, which is undergoing a total renovation that will take until 2001. There is a manifest demand for new or thoroughly renovated buildings. At the same time buildings dating back to the 1960's and 1970's, which have not been renovated or are less well located are out of favour. Rents for such properties have recorded a decided fall. It is to be expected that this trend will continue given that a large number of new construction projects and renovations are being carried out with a total floor space of ca. 150,000 m<sup>2</sup>.

Rents for retail space in top locations fell slightly during 1997. The principal underlying reason was the pressure on consumers' purchasing power. Vacancies remained low in the main shopping streets and in shopping centres. There has been a clear fall in rents for retail properties in A-2 locations, where vacancy rates of 5% are not unusual. Thanks to the generally good parking facilities shopping centres are gaining popularity. Consumers are increasingly coming to view shopping as a form of relaxation ('fun shopping'). Those shopping centres that can cater to this demand generate the largest numbers of visitors.

There was a relatively large number of investment transactions, partly as a result of mergers and shares-for-property exchanges on the establishment of the first two Belgian commercial property 'bevak's', closed-end investment companies. During 1997 Wereldhave sold the office building at 139-141, Koningsstraat, Brussels and purchased a site at Nivelles for the further expansion of the company's Nivelles shopping centre. The Joseph II renovation project is proceeding apace and completion is planned for the end of May, 1998. Discussions on letting are in progress.

On January 13, 1998 Wereldhave received clearance from the Committee for Banks and Financial Institutions for the establishment of a property bevak. A bevak is in many ways comparable to a Dutch investment company. Wereldhave's Belgian properties and its Belgian property management organisation are brought into the bevak. The management of the bevak is carried out by a company



Rénovation of 30, Rue Joseph II, Brussels

specially set up for this purpose. This company is a fully-owned subsidiary of Wereldhave, the management of which consists of two members of Wereldhave's Board of Management and two independent members. One condition for the establishment of a bevak is that at least 30% of the shares are offered for sale within a year. The shares will be quoted on the Brussels' Stock Exchange. The establishment of a bevak leads to a significant improvement in the tax structure.

The occupancy rate of the Belgian portfolio amounted to 96.8%. In view of market developments the valuation of the portfolio was reduced by 1.8%. At the end of 1997 the value of the portfolio, including development properties, amounted to NLG 463.7 mln.

## Germany

	1997	1996
Economic growth	2.4	1.1
Inflation	0.9	1.0
Growth in private consumption	0.9	1.3
Growth in employment	-1.3	-1.2
Unemployment rate	11.4	10.3

The recovery of the German economy is not stimulating growth in employment. This means that in the short term no fundamental recovery in the German office market is in sight. Most German cities are still struggling with the effects of the excess building of the early 1990's. Vacancy rates average 8%. At one extreme Leipzig has vacancies of 30%, whereas in Munich vacancies are practically unknown. Gross take-up stopped falling in 1997 but there still has been no recovery in the market. High vacancy levels are depressing rents on new lettings. Owners of office properties are more or less compelled to invest heavily in their buildings in order to attract tenants. These investments are out of all proportion to the incremental returns which they yield. Disappointing economic growth and high unemployment have made the German retail property market an equally unattractive proposition. Shop rents have fallen in a number of cities.

Hardly any foreign institutions are still active on the investment market. Net initial yields for offices have been stuck at an average of 5.5% for several years. True market rents vary between DM 30 and DM 40 per m<sup>2</sup> per month. Higher rents can be achieved only in very exclusive locations such as the centres of Berlin and Frankfurt, where land is very expensive. Despite falling rents demand for retail property of German investors has increased because the initial net yields are higher than for offices. Industrial properties are sought after for the same reason. In the light of market development the valuation of the office building at 21, Taunusanlage was lowered by 13.3% to NLG 62.5 mln.



# Parinor

Centre Commercial Régional



Parinor Shopping Centre, le Haut de Galy,  
Aulnay-sous-Bois.



## France

	1997	1996
Economic growth	2.3	1.5
Inflation	1.0	1.2
Growth in private consumption	0.6	2.1
Growth in employment	0.2	-0.2
Unemployment rate	12.4	12.3

The worst of the property cycle seems to be over for the Paris office market. Gross absorption increased in 1997 and the available supply decreased. At 10% the vacancy level is still high. In most cases the properties affected are old, inefficient office buildings in the centre of Paris. In view of the high price of ground sites it is to be expected that this space will be reallocated to luxury residential flats. There is a lack of office space, particularly for floorspaces from 5,000 m<sup>2</sup> upwards, with adequate parking space in the immediate vicinity. There is a striking increasing interest in large, old office buildings in the western part of Paris which, in time, will be available for redevelopment. True market rents have stayed more or less stable at around FRF 2,000 to 2,500 per m<sup>2</sup>. For the French retail property market 1997 was an unremarkable year. Disappointing economic growth and high unemployment provide little leeway for higher retail turnover. The so-called Raffarin-law, which restricts the development of new shopping centres, has made the redevelopment of existing shopping centres a more attractive proposition. The market for industrial property is showing signs of recovery in so far as the properties in question are in good locations and satisfy the latest regulations and user requirements. However, even in these cases rental increases are still absent.

Although recent developments are not uniformly favourable there has been a clear recovery in investor confidence which has resulted in a marked increase in the number of transactions. Wereldhave has reached agreement on the sale of the property at 29-30 Quai de Dion Boufon, Puteaux in December 1997, to be transferred in the first quarter of 1998. The sales proceeds are well in excess of the

book value at the end of 1996. During the year under review Wereldhave bought a new office development project at Levallois Perret (Paris). Completion of this 20,600 m<sup>2</sup> project is planned for the end of 1999. After a positive 3.4% revaluation the value of the French portfolio amounted to NLG 323.4 mln at the end of 1997. The occupancy rate was 92.5%.

## Hungary

	1997	1996
Economic growth	3.0	1.0
Inflation	18.1	20.9
Growth in private consumption	0.7	-2.8
Growth in employment	0.5	-0.8
Unemployment rate	8.9	10.0

The quickening pace of economic activity has led to an increase in activity on the Budapest office market and a drop in the vacancy level. Whereas there was a vacancy rate of 15% at the beginning of 1996 the level has fallen below 10% at year-end 1997. This has put an end to the downward pressure on rents and to the concessions offered to attract tenants. However, there have still been no increases in rents. Real interest rates are low (1% to 2%) while construction costs are rising faster than the general price levels, stimulating investors' interest in Budapest office property. Recently a number of sales involving new, well-located, office properties have taken place at yields of 9 to 10%. This increased interest is spurring new building activity and serves as an indication that there is little prospect of real rental increases in the future either.

There was also an improvement in the market for retail property. Recently completed shopping centres are proving popular with the public. Despite expansion in the number of retail outlets, rents in the main shopping streets have not fallen and have in some instances in fact risen. Foreign food retail chains in particular, are looking for large sales areas. Developments in the industrial property sector have also been favourable. Rents in this sector of the market have actually increased.



The occupancy rate during the year was 86.9%. The portfolio was revalued upwards by 5.7% to give a value of NLG 9.8 mln as at December 31, 1997.

### The Netherlands

	1997	1996
Economic growth	3.2	3.3
Inflation	2.6	1.3
Growth in private consumption	3.0	3.0
Growth in employment	2.2	2.0
Unemployment rate	5.8	6.7

The recovery in the office market which began in 1996 took on much clearer contours in 1997. Prosperous economic developments go hand-in-hand with a continuing demand for new, high-quality office space, the available supply of which has shrunk markedly in the last two years. As a result companies are now encountering difficulties in finding suitable accommodation. Although gross take-up was slightly lower than in 1996 (1.5 mln m<sup>2</sup> as against 1.6 mln m<sup>2</sup>) there has been a fairly sharp drop in unlet space from 2.3 mln m<sup>2</sup> to 1.7 mln m<sup>2</sup>. The steepness of the fall is the result of the growth in the number of office workers. The limited amount of accommodation on the market is a consequence of the cautious policy towards new developments in recent years. Falling vacancy rates have a positive effect on market rents. The reduction in available supply in 1997 was particularly pronounced in Amsterdam and Utrecht, where market rents rose by around 10%. In The Hague and Rotterdam, where there is a wider choice of accommodation, there has been very little rental growth.

Conditions on the retail property market are fairly stable. During the first half of the 1990's there was a rapid expansion in the amount of retail space, whereas the growth in real incomes was slow. The result was a stagnation in turnover per square metre and in market rents. Rental growth is in evidence mainly in those retail locations favoured by consumers. It is noteworthy that, over the last ten years, growth in retail rents in the main shopping streets has failed to keep pace with inflation.



Take-up on the market for industrial property can be traced mainly to relocation, as tenants abandon old, unrenovated buildings for new accommodation meeting the most recent regulations and user requirements. The new buildings are often more easily accessible. Vacancies are concentrated on old industrial estates which are difficult to redevelop in view of their poor access.

The volume of investment transactions has risen. Investor interest has been stimulated by the lofty price/earnings ratios on the equity market, low interest rates and the increasing readiness of financial institutions to provide loans for the acquisition of property. Wereldhave acquired eleven industrial properties for the Dutch portfolio in 1997. These are let to companies belonging to the Nedlloyd Group and all offer excellent access and ample opportu-

Shopping centre De Heuvel, Geldrop.



nity for expansion. In addition, Wereldhave bought a parcel of land for the development of an office building of approximately 2,100 m<sup>2</sup> in Delft, to be completed by the end of 1998. A downward revaluation of 3.7%, bringing the value at December 31, 1997 to NLG 613.8 mln, was applied to the Dutch portfolio to account for the expenses incurred in acquiring the Nedlloyd properties and the expiry of a number of rental contracts on office buildings prior to their redevelopment or renovation. In 1997 the occupancy rate was 97.3%.

### Spain

	1997	1996
Economic growth	3.2	2.3
Inflation	1.9	3.1
Growth in private consumption	3.1	1.9
Growth in employment	2.6	1.5
Unemployment rate	21.0	22.2

There has been a steady improvement in the Madrid office market in the wake of accelerating economic growth. Gross take-up has increased and the level of vacancies has gradually fallen to 500,000 m<sup>2</sup>. There has been a sharp fall in the availability of new, high-quality office space in the Centre. This is one of the reasons behind the relocation of companies to the periphery, where new office accommodation can still be found. True market rents vary between an average of ESB 2,000 and ESB 2,500 per m<sup>2</sup> per month in the centre of Madrid and between ESB 1,500 and ESB 2,000 in the outskirts of the city. The Barcelona office market has also improved as a result of lower vacancy levels resulting from an increase in gross take-up. There is little in the way of development projects coming to the market in either Madrid or Barcelona at this moment so that a further reduction in vacancy levels is to be expected. Market rates in Barcelona are still fairly low: ESB 1,500 to ESB 2,000 per m<sup>2</sup> per month. This is discouraging construction activity in the centre, so that a further increase in interest in peripheral accommodation is predicted. The current vacancy rate in both cities amounts to approximately 8%.

Conditions on the markets for retail property have been improving. Turnover has increased, enabling shopkeepers to afford the frequently high initial rents in new shopping centres.

Investor interest in property has been increasing following the sharp fall in interest rates leading to slight drop in net initial yields to a fairly low level (6.5% to 7%). There is an especially lively demand for industrial properties let on long-term contracts. Initial yields on these investments are frequently fairly high and it is precisely properties of this type which profit most from falls in interest rates, with expected intensified competition in this market segment. During the year under review Wereldhave sold the property at 124, Rambla de Catalunya, Barcelona for a sum in excess of the book value at the end of 1996. In line with market developments the valuation of the portfolio was raised by 8.5% to NLG 49.9 mln. The occupancy rate was 84.1%.

## United Kingdom

	1997	1996
Economic growth	3.1	2.3
Inflation	2.3	3.0
Growth in private consumption	4.4	3.5
Growth in employment	1.7	1.1
Unemployment rate	6.9	8.0

There was a further recovery in British office property markets in 1997. Central London in particular has seen an increase in demand. Gross take-up in the City amounted to around 400,000 m<sup>2</sup> compared to an annual average of 300,000 m<sup>2</sup> over the previous ten years. Gross take-up has also increased in the West End and the edges of Greater London. The rise in absorption has also pushed back the level of vacancies. For London as a whole the vacancy rate fell from around 12% at the beginning of 1995 to circa 8% at the end 1997, with a much steeper drop in the City. Hardly any new, high-quality office accommodation is available in the City and market rents for offices of this type have risen by about 12.5%. A similar development has taken place in the West End. Rents have also increased in London's western periphery and in the Docklands. Rents in the larger provincial office markets have shown little change, averaging approximately GBP 200 per m<sup>2</sup> per year.

Retail property markets had an excellent year. Market rents in Central London reached new records at GBP 3,500 to GBP 4,000 per m<sup>2</sup> per year. Larger shops in the main shopping streets have attracted the greatest interest. Shopkeepers outside London have also seen their sales grow.

The investment market is flourishing given the good prospects for continued rental growth and the renewed willingness of financial institutions to finance property purchases. Rental yields have shown little movement. The typical term of new leases has fallen from 25 years to 10 to 15 years but the break clauses applicable after 5 or 10 years have disappeared. Break clauses in old contracts are making investors more aware of the risk of



vacancies. The rise in City rents can be expected to lead to a revival in new construction activity in areas such as the periphery and the Docklands. During the year under review Wereldhave completed the sale of the Carnaby Estate, which was sold in December 1996. It also sold 15 buildings for an amount in excess of their book value at the end of 1996. The valuation of the British properties was raised by 9% in 1997 and the value of the portfolio at the end of the year amounted to NLG 608.7 mln. The occupancy rate over 1997 was 97.9%.

## United States

	1997	1996
Economic growth	3.8	2.8
Inflation	2.0	2.3
Growth in private consumption	3.3	2.6
Growth in employment	2.2	1.4
Unemployment rate	5.0	5.4

The American economy is proving to be remarkably resilient. Economic activity and levels of employment have grown more strongly than expected. Offices, industrial properties and hotels have been the main beneficiaries. Vacancies have fallen in almost all office markets. This has resulted

in rising market rents. Office vacancy rates are lower in suburban markets than in the central business districts of the large cities. In many suburban markets rents have risen to levels at which new construction is again an economic proposition. This is not yet valid in the case of the central business districts.

Stiff competition from 'factory outlets' is putting downward pressure on retail property markets. Increasing purchases via the Internet is already depressing sales in the shops. Retail property profit growth is therefore lagging behind the office sector.

As new apartment buildings come on to the market competition for tenants is intensifying. Many of the new projects are not in the vicinity of existing amenities. Those which are closer thus have an advantage over apartment buildings on peripheral sites. Apart from location the quality of the building, the size of the flats, the facilities provided and, above all, the rent are important factors. Older, frequently smaller flats are mostly on offer for a low rent. In cities where many high-technology companies are located the level of rents is of minor importance since the workforce is well paid and highly mobile.

The number of investment transactions has increased strongly, partly because of low long-term interest rates. This means that good properties are snapped up quickly, often for a high price. During the year under review Wereldhave sold the properties at 83 Maiden Lane and 20 Exchange Place, New York. Proceeds were in excess of book value at year-end 1996. Construction of the Arboretum apartment complex in Richardson is progressing well and will be completed in the second quarter of 1998. In Austin, Texas, Wereldhave has bought two parcels of land for the development of three office buildings with completion in the first half of 1999. A positive revaluation added 3.2% to the value of the portfolio, which amounted to NLG 271.1 mln at the end of the year. The occupancy rate was 82.7 %.



## Organisation and staffing

Wereldhave employed an average of 105 staff in 1997 (1996: 119), 63 (1996: 75) of whom worked for the local management offices in Brussels, The Hague, London, Madrid, Paris and New York. In view of the disposal of The Carnaby Estate the number of employees working for the British management organisation has been reduced to a number in keeping with the size of the local portfolio. With increasing emphasis being placed on building new property we have directed our attention to strengthening our Building department. We should like to take this opportunity to thank our staff for their hard work and commitment.

Wereldhave has at its disposal an integrated central information system on real estate and finance, to support all operational activities, to prepare investments and disposals of property, the valuation of real estate and the forecasts of results. All forecasts of the system are based on parameters that are determined by the Board of Management. We are of the opinion that these forecasts offer a clear view on the development of results and enable reliable financial information to all parties concerned.

The millennium change will pose no difficulties for Wereldhave's central information system. The system is based on a mainframe and database technology. The provider of the system software has stated in writing that it will continue to perform in the next century. All date fields in the system have four positions for the year. An extensive test will be carried out in mid-1998 with January 1, 2000 as test date for the system.

## Prospects

### General

Despite the crises in Asia prospects for 1998 are reasonably good. The European economy is still in a recovery phase, whereas the American economy continues to produce good results thanks to a consistently high level of investment. On the other hand the Asian crisis will exert a negative effect, through slowing of the growth in international trade, on economic growth and positive employment trends a further improvement in property markets can be expected. Over the slightly longer term, however, new construction projects will lead to increasing competition on the property market. Despite growth in disposable income shopkeepers will be confronted with stiff competition from expansive retail chains which are willing to accept lower margins. These developments will restrict the scope for raising rents.

### Policy

Wereldhave's policy is guided by the profit per share. Higher profits are to be achieved through a steady rejuvenation of the portfolio. The Company fulfils an active role in this process, not so much as a purchaser of properties but as an active participant in commissioning new development projects. In view of Wereldhave's integrated approach to property the Company combines specific expertise in the field of property management and ownership with insight into the wishes of users of property. As soon as clearance has been given for construction of a new building Wereldhave enters into direct negotiation with the builder. By regularly disposing of older properties and adding new buildings to the portfolio, the average age of the portfolio is lowered. This reduces the sums which have to be invested each year to maintain the portfolio's attractiveness to potential tenants. This policy towards the development and selection of properties is an aid towards improving Wereldhave's return on equity and profits per share.

## Results 1998

In view of economic developments and corporate policy set out above Wereldhave expects an improvement in the investment results and a further increase in profits per share. The income from the reinvestment of the proceeds from property sales will contribute towards higher profits. In addition, rental income will increase as development properties completed in 1998 are let.

## Board of Management Wereldhave N.V.

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

The Hague, February 26, 1998



**Annual Accounts 1997**

## Consolidated balance sheet at December 31, 1997

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

	note	1997	1996
<b>Assets</b>			
<b>Investments</b>			
Property investments	1	2,403.0	2,511.2
<b>Accounts receivable</b>	2	21.5	39.3
<b>Other assets</b>	3	278.2	101.0
		<u>2,702.7</u>	<u>2,651.5</u>
<b>Liabilities</b>			
<b>Shareholders' equity</b>			
<b>Provisions</b>	4	45.2	36.0
<b>Long-term debt</b>			
loans	5	630.6	805.5
other liabilities	6	9.6	10.9
		<u>640.2</u>	<u>816.4</u>
<b>Short-term liabilities</b>	7	336.6	281.7
		<u>2,702.7</u>	<u>2,651.5</u>

\*1 See note 7 on page 29 and the proposed distribution of profits on page 35.

## Consolidated profit and loss account for 1997

(× NLG 1 mln)

	note	1997	1996
<b>Investment income</b>			
gross rental income	1	231.1	225.4
operating costs	1	././ 43.1	././ 39.6
net rental income	1	<b>188.0</b>	185.8
<b>Costs</b>			
interest costs	2	././ 39.9	././ 50.4
general costs	3	././ 11.9	././ 13.8
		././ 51.8	././ 64.2
result before tax		<b>136.2</b>	121.6
taxes on corporate income		././ 0.2	././ 0.1
<b>Profit after tax</b>		<b>136.0</b>	121.5

## Movements in shareholders' equity in 1997

(× NLG 1 mln)

	1997	1996
Direct investment result		
– profit after tax	<b>136.0</b>	121.5
– other	–	1.2
	<b>136.0</b>	122.7
Indirect investment result		
– movements in reserves as a result of differences in valuations and exchange rates	<b>90.9</b>	121.1
– other	<b>0.4</b>	././ 2.5
	<b>91.3</b>	118.6
Proposed dividend	././ <b>119.9</b>	././ 116.7
Dividend not paid out for 1996 resp. 1995	<b>55.9</b>	41.8
Issues of shares	–	32.7
<b>Increase in shareholders' equity</b>	<b>163.3</b>	199.1



## Consolidated cash flow statement for 1997

(x NLG 1 mln)

	1997		1996
<b>Cash flow from operational activities</b>			
direct investment result	136.0		122.7
movements in accounts receivable	17.8		10.0
movements in other assets	0.6	./.	0.5
movements in short-term liabilities	54.9		68.7
movements in provisions	0.6		0.9
	<u>209.9</u>		<u>201.8</u>
<b>Cash flow from investment activities</b>			
investment in property	./.	184.1	./.
disposals of property		478.4	127.0
other movements in revaluation reserve		0.6	./.
		<u>294.9</u>	<u>5.5</u>
<b>Cash flow from finance activities</b>			
new loans		13.7	29.6
redemptions on loans	./.	239.4	./.
movements in other long-term liabilities	./.	1.3	2.6
dividend	./.	64.0	./.
share issues		-	32.7
other movements in revaluation reserve	./.	0.2	./.
		<u>./.</u>	<u>291.2</u>
			<u>./.</u>
net cash flow		<u>213.6</u>	<u>44.1</u>
exchange rate differences	./.	35.8	./.
		<u>177.8</u>	<u>43.8</u>
<b>Increase in cash and bank balances</b>		<u><u>177.8</u></u>	<u><u>43.8</u></u>

## 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 and related assets, liabilities and results.

### 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:

	1997	1996
100 BEF	<b>NLG 5.463</b>	NLG 5.447
100 FRF	<b>33.68</b>	33.29
100 ESP	<b>1.331</b>	1.331
1 DEM	<b>1.12705</b>	1.12235
100 HUF	<b>0.985</b>	1.059
1 GBP	<b>3.342</b>	2.961
1 USD	<b>2.019</b>	1.7445

### 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 corporation tax is to be paid in the Netherlands, provided that certain conditions are met. The main conditions concern the requirement to distribute the taxable profit as dividend and the restrictions with respect to financing of investments with loans. There is no requirement to include surpluses, arising on disposal of investments, in the taxable profit to be distributed.

### Basis of valuation for assets and liabilities

#### General

Assets, liabilities and provisions are included at their nominal 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 capitalisation 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.

##### *Development properties*

Development properties are valued at cost or at estimated market value if lower. Development properties transferred from investment properties are valued at estimated market value. Cost includes commitments for capital expenditure on works not yet undertaken as well as the capitalised interest costs. After completion of the (re)development the property is transferred to the category of investment properties. 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. Differences against the previous valuations are accounted for in 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 between the valuation 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*

These costs relate to operating costs attributable to the year, of which the main elements are:

- maintenance costs
- property tax
- insurance premiums
- management costs and rent collection costs
- 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.

#### *Interest costs*

Interest costs comprise interest attributable to the year on loans, other liabilities, accounts receivable and bank balances and the differences in interest arising on the conversion of financing arranged in foreign currencies. Capitalised interest attributable to investments is 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 1996 bonus issue resulted in retained cash dividends in 1997.

The direct investment result includes the profit after tax as stated in the profit and loss account and the current year's results comprised in the issue price of the shares.

The principal components of the indirect investment result are the movements in reserves as a result of differences against the previous year's valuations and exchange rate differences. These movements include valuation adjustments on investments, movements in contingent tax liabilities together with exchange rate differences arising on forward currency transactions and the conversion of results denominated in foreign currencies.

Valuation differences, exchange rate differences and movements in contingent tax liabilities are accounted for in the revaluation reserve.

## Notes to the consolidated balance sheet at December 31, 1997

(× NLG 1 mln)

	1997	1996
<b>1 Property investments</b>		
Investment properties	<b>2,303.5</b>	2,464.7
Development properties	<b>99.5</b>	46.5
	<b>2,403.0</b>	2,511.2
Investment properties		
balance at January 1	<b>2,464.7</b>	2,331.6
exchange rate differences	<b>154.2</b>	146.7
	<b>2,618.9</b>	2,478.3
purchases/expenditures	<b>133.2</b>	76.2
transferred to development properties	./.	2.0
	<b>2,750.1</b>	2,554.5
disposals	./.	478.4
	<b>2,271.7</b>	2,427.5
revaluation	<b>31.8</b>	37.2
balance at December 31	<b>2,303.5</b>	2,464.7
Development properties		
balance at January 1	<b>46.5</b>	3.2
exchange rate differences	<b>0.1</b>	-
	<b>46.6</b>	3.2
purchases/expenditures	<b>50.9</b>	43.3
transferred from investment properties	<b>2.0</b>	-
balance at December 31	<b>99.5</b>	46.5
<b>Accounts receivable</b>		
debtors	<b>9.3</b>	16.8
prepaid costs	<b>4.1</b>	14.8
taxes recoverable	<b>0.2</b>	1.3
other	<b>7.9</b>	6.4
	<b>21.5</b>	39.3

	1997	1996
<b>3 Other assets</b>		
cash and bank balances	274.9	97.1
office equipment and cars	3.3	3.9
	<u>278.2</u>	<u>101.0</u>
<b>4 Provisions</b>		
provisions for contingent tax liabilities	45.2	36.0
	<u>45.2</u>	<u>36.0</u>

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

<b>5 Loans</b>		
balance at January 1	805.5	874.5
exchange rate differences	50.8	54.1
	<u>856.3</u>	<u>928.6</u>
new loans	13.7	29.6
redemptions	./ 188.9	./ 152.7
	<u>681.1</u>	<u>805.5</u>
less: short term loans	./ 50.5	-
balance at December 31	<u>630.6</u>	<u>805.5</u>
Redemption scheme		
1 to 2 year	100.0	99.9
2 to 5 year	313.5	557.5
5 years or more	217.1	148.1
	<u>630.6</u>	<u>805.5</u>

Loans to the amount of NLG 167.1 mln are secured on property (1996: NLG 208.1 mln).  
Loans can be illustrated as follows:

Currency	Distribution percentage December 31		Average interest rate December 31	
	1997	1996	1997	1996
NLG	23.8	26.1	6.1	4.7
BEF	19.5	20.3	4.0	3.7
FRF	-	6.2	-	3.9
ESB	2.5	2.9	5.4	7.0
GBP	31.8	29.4	9.7	7.5
USD	22.4	15.1	6.6	7.4
	<b>100.0</b>	100.0	<b>6.9</b>	5.7

#### 6 Other long-term liabilities

This item consists of tenants' deposits

#### 7 Short-term liabilities

	1997	1996
short-term portion long-term liabilities	50.5	-
dividend	120.2	116.9
taxes	16.9	17.0
fixed-term loans and overdrafts	65.7	59.0
creditors and other liabilities	83.3	88.8
	<b>336.6</b>	281.7

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

#### 8 Items not included in the balance sheet

In 1997 agreement was reached with third parties to sell property to the value of NLG 43.8 mln and to purchase property to the amount of NLG 139.1 mln in 1998 and 1999.

#### 9 Events after balance sheet date

In January 1998 a vastgoedbevak (closed-end property investment company) was founded in Belgium. As a result of the contribution of the Belgian portfolio a fiscal settlement will take place, after which both results and capital gains will be tax-exempted, provided the requirement to distribute to shareholders at least 80% of the profit for tax purposes will be complied with.

## Notes to the consolidated profit and loss account for 1997

(× NLG 1 mln)

### 1 Net rental income

	Gross rental income		Operating costs		Net rental income	
	1997	1996	1997	1996	1997	1996
The Netherlands	67.2	57.0	9.2	7.3	58.0	49.7
Belgium	35.5	38.8	2.3	1.8	33.2	37.0
France	24.8	22.7	3.6	4.0	21.2	18.7
Spain	4.1	4.1	2.2	1.9	1.9	2.2
Germany	3.7	4.7	0.3	0.3	3.4	4.4
Hungary	1.6	1.9	0.3	0.1	1.3	1.8
United Kingdom	58.4	64.5	10.2	14.7	48.2	49.8
United States	35.8	31.7	15.0	9.5	20.8	22.2
	<b>231.1</b>	225.4	<b>43.1</b>	39.6	<b>188.0</b>	185.8
Offices	115.3	117.5	27.7	25.1	87.6	92.4
Shops	85.6	85.9	11.6	11.9	74.0	74.0
Other	30.2	22.0	3.8	2.6	26.4	19.4
	<b>231.1</b>	225.4	<b>43.1</b>	39.6	<b>188.0</b>	185.8

Loss of rental income due to voids amounted to 6.4% of the theoretical rent (1996: 6.4%).  
The theoretical rent is the sum of gross rental income and the loss of rent due to voids.

	1997	1996
<b>2 Interest costs</b>		
interest paid	48.9	53.6
interest received	./.	2.9
	42.2	50.7
less: capitalised interest	./.	0.3
	<b>39.9</b>	50.4
<b>3 General costs</b>		
personnel	11.1	12.0
remuneration of Supervisory Board	0.3	0.3
external advisors' and auditors' fees	2.0	1.5
other	2.3	4.8
	15.7	18.6
less: costs of asset management	./.	4.8
	<b>11.9</b>	13.8

## Other

Salaries amounted in total to NLG 11.8 mln (1996: NLG 12.2 mln), social security contributions to NLG 2.1 mln (1996: NLG 2.0 mln), and pension costs to NLG 3.7 mln (1996: NLG 3.2 mln). Of the total amount of NLG 17.6 mln, NLG 9.7 mln is included in general costs (personnel), NLG 7.1 mln in operating costs and NLG 0.8 mln in investments. The remuneration of the members of the Board of Management and former Board members amounts to NLG 1.3 mln (1996: NLG 1.1 mln) including social security contributions and pension costs. An average of 105 people has been employed by the Company during 1997 (1996: 119).

## Company balance sheet at December 31, 1997

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

	note	1997	1996
<b>Assets</b>			
<b>Investments</b>			
property investments		585.4	489.4
investments in group companies	1	1,038.3	907.1
other financial investments	2	337.9	517.7
		<u>1,961.6</u>	<u>1,914.2</u>
<b>Accounts receivable</b>	3	0.9	0.9
<b>Other assets</b>		122.0	50.7
		<u>2,084.5</u>	<u>1,965.8</u>
<b>Liabilities</b>			
<b>Shareholders' equity</b>			
issued share capital	4	337.4	328.3
share premium	5	1,387.1	1,396.2
revaluation reserve	6	././ 571.3	././ 662.6
general reserve	7	527.5	455.5
		<u>1,680.7</u>	<u>1,517.4</u>
<b>Long-term debt</b>			
loans	8	164.2	274.6
other liabilities		1.0	1.8
		<u>165.2</u>	<u>276.4</u>
<b>Short-term liabilities</b>	9	238.6	172.0
		<u>2,084.5</u>	<u>1,965.8</u>

\* See notes 9 on page 34 and the proposed distribution of profits on page 35



## Company profit and loss account for 1997

(× NLG 1 mln)

	note	1997	1996
result of group companies		<b>78.0</b>	66.5
other result	10	<b>58.0</b>	55.0
<b>Profit after tax</b>		<b>136.0</b>	121.5

## Notes to the company balance sheet at December 31, 1997 and profit and loss account for 1997

(× NLG 1 mln)

### General

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

The Company has made use of the exemption referred to in Article 402, Title 9, Book 2 of the Netherlands Civil Code.

### 1 Investments in group companies

Movements are as follows:

	1997	1996
balance at January 1	<b>907.1</b>	783.9
investments/disposals	<b>3.1</b>	5.7
	<b>910.2</b>	789.6
results	<b>78.0</b>	66.5
revaluation	<b>111.7</b>	102.4
profit distributions	<b>./. 61.6</b>	<b>./. 51.4</b>
balance at December 31	<b>1,038.3</b>	907.1

Investments in group companies have been valued at net assets value. A list of companies as referred to in Articles 379 and 414, Title 9, Book 2 of the Netherlands Civil Code, has been deposited with the Chamber of Commerce in The Hague.

### 2 Other financial investments

On account of intercompany relations NLG 337.9 mln (1996: NLG 517.7 mln) is included under other financial investments.

### 3 Accounts receivable

On account of intercompany relations NLG 0,6 mln (1996: NLG 0.6 mln) is included under accounts receivable

#### 4 Issued share capital

The share capital is as follows:

Type of shares	Nominal value per share (NLG)	Authorized (NLG)	In issue at December 31 (NLG)	
			1997	1996
ordinary shares	20	500,000,000	<b>329,907,540</b>	320,828,800
preference shares	20	250,000,000	<b>30,000,000</b>	30,000,000
'A' priority shares	20	200	<b>200</b>	200
'B' priority shares	20	249,999,800	-	-
		1,000,000,000	<b>359,907,740</b>	350,829,000
less: uncalled preference capital			<b>./.</b> 22,500,000	./. 22,500,000
		1,000,000,000	<b>337,407,740</b>	328,329,000

Movements in issued share capital:

	1997	1996
balance at January 1	<b>320.8</b>	304.1
stock dividend	<b>9.1</b>	9.2
share issues	-	7.5
balance at December 31	<b>329.9</b>	320.8

At December 31, 1997 there are 16,495,377 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'.

#### 5 Share premium

	1997	1996
balance at January 1	<b>1,396.2</b>	1,380.2
stock dividend	<b>./.</b> 9.1	./. 9.2
share issues	-	25.2
balance at December 31	<b>1,387.1</b>	1,396.2

The share premium at December 31, 1997 includes an amount of NLG 1,356 mln exempted from tax (1996: NLG 1,365 mln).

	1997	1996
<b>6 Revaluation reserve</b>		
balance at January 1	./.	781.2
revaluation on investments	662.6	37.2
exchange rate differences	31.8	92.3
movements in contingent tax liabilities	67.7	8.4
other movements	./.	2.5
	8.6	
	0.4	
balance at December 31	./.	662.6
	571.3	
	571.3	
<b>7 General reserve</b>		
balance at January 1	455.5	407.7
retained cash dividends	55.9	41.8
added according to proposal for distribution of profits	16.1	6.0
balance at December 31	527.5	455.5
	527.5	

#### 8 Loans

On account of intercompany relations NLG 64.2 mln (1996: NLG 64.6 mln) is included under loans.

#### 9 Short-term liabilities

Short-term liabilities include the sum needed to meet dividend obligations in respect of the 1997 financial year, should all shareholders opt for a cash dividend. On account of intercompany relations an amount of NLG 83.9 mln (1996: NLG 4.9 mln) is also included under short-term liabilities.

#### 10 Other results

On account of intercompany relations interest income to the amount of NLG 10.5 mln (1996: NLG 17.8 mln) is included in these results.

#### 11 Items not included in the balance sheet

In 1997 the company has sold GBP 25 mln per August 1998. The company has given guarantees on behalf of group companies to third parties for a total amount of NLG 471 mln (1996: NLG 447 mln).

#### Supervisory Board

J.F. Visser  
P.J. Vinken  
E.H.J. Boons  
W. Lemstra  
H.M.N. Schonis

#### Board of Management

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

The Hague, February 26, 1998

## Other Information

### Distribution of profits

Rules for the distribution of profits are set out in Article 25 of the Company's Articles of Association. The preference shareholders have a first call on profits in the form of a dividend distribution on the paid-up nominal share value at a percentage rate equal to the twelve-month money market rate (Amsterdam Interbank Offered Rates), valid for the first exchange day of the financial year concerned, or so much less as is available from the distributable profit plus a surcharge of 1.5%. Holders of 'B' priority shares have a second call on profits in the form of a dividend distribution to the preference shareholders, or a such lower amount as is available from distributable profit. Holders of 'A' priority shares are entitled to a dividend distribution at a 5% rate on the paid-up nominal share value from the remainder. Distribution of the balance then outstanding is determined by the Annual General Meeting of Shareholders.

### Proposed distribution of profits

In addition to the cash dividend of 4.73% on the preference shares in issue and 5% on the 'A' priority shares in issue, it is proposed to distribute to ordinary shareholders a dividend of NLG 7.25 in cash, or should they so prefer, a tax-free dividend in the form of bonus shares charged to the tax-exempted share premium reserve. The distribution rate for the bonus shares will be announced on March 20, 1998. That part of profits which is not paid out in cash will be added to the general reserve.

(× NLG 1 mln)	1997	1996
Direct investment result	<b>136.0</b>	122.7
Preference dividend and dividend 'A' priority shares	<b>0.4</b>	0.4
Ordinary dividend*	<b>119.5</b>	116.3
Addition to general reserve	<b>16.1</b>	6.0
	<b>136.0</b>	122.7

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

### Preference and priority shares

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

1,350,000 of the preference shares are held by the Stichting tot het houden van preference en prioriteits aandelen B Wereldhave (Foundation for the holding of preference shares and B priority shares Wereldhave). The management of the Foundation consists of Messrs. H. Zomerplaag (Chairman), H.J.A.F. Meertens and M.A. Snijder. In addition to voting rights, the preference shares carry a preferential right to a dividend out of the profits. They have no entitlement to the Company's reserves. The purpose of the Foundation is, as set out in Article 2 section 1 of its Articles of Association, to look after the interests of Wereldhave N.V. (the Company), of the business concern related to the Company as legal entity and of all parties involved, taking into consideration, amongst other objectives the maintenance of the independence, continuity and identity of the Company as a legal entity and as a business concern.

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

### Transactions with directly related parties

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

## Auditor's Report

### **Introduction**

We have audited the Annual Accounts 1997 of Wereldhave N.V., The Hague. These financial statements are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on these financial statements based on our audit.

### **Scope**

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the Annual Accounts give a true and fair view of the financial position of the Company as of December 31, 1997 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code and the Wet toezicht beleggingsinstellingen (Investment Institutions Supervision Act).

**COOPERS & LYBRAND N.V.**

The Hague, February 26, 1998

## Wereldhave N.V. Supervisory Board

### **J.F. Visser** (66)

- Former Chairman of Board of Management of Westland/Utrecht Hypotheekbank N.V.
- Member of Wereldhave N.V. Supervisory Board since 1975; Chairman since 1991, a position to which he was re-appointed in 1996 for a period of three years.
- Member of the Supervisory Boards of several companies, including Canada Trust Bank N.V.
- Member of Amsterdam Stock Exchange Complaints Commission.
- Bankruptcy receiver, Utrecht District Court.

### **P.J. Vinken** (70)

- Chairman of Supervisory Board of Elsevier N.V. and Non-Executive Director Reed Elsevier Plc.
- Member of Wereldhave N.V. Supervisory Board since 1980; Vice-Chairman since 1991, a position to which he was re-appointed in 1995 for a period of three years.
- Member of the Supervisory Boards of several companies including Reed International Plc.

### **F.H.J. Boons** (57)

- President of Board of Management of VADO Beheer B.V., Eindhoven.
- Member of Wereldhave N.V. Supervisory Board since 1994, a position to which he was re-appointed in 1997 for a period of two years.
- Member of the Supervisory Board of several companies, and Chairman of the Supervisory Boards of Kantoren Fonds Nederland B.V. (Dutch Offices Fund) and Winkel Beleggingen B.V. (Shopping Investment Fund), subsidiaries of ABP (Dutch Civil Service Pension Fund), Heerlen.
- Chairman of Investment Committee of Interpolis Verzekeringen B.V.

### **W. Lemstra** (62)

- Mayor of Hengelo, Overijssel.
- Member of Wereldhave N.V. Supervisory Board since 1992, a position to which he was re-appointed in 1996 for a period of two years.
- Part-time professorships in Public-Private Cooperation and Public Management, University of Twente.
- Member of the Supervisory Boards of several companies, including NBM-Amstelland N.V.

### **H.M.N. Schonis** (54)

- Partner in Caron & Stevens/Baker & McKenzie (solicitors, tax consultants and notaries public), Amsterdam.
- Member of Wereldhave N.V. Supervisory Board since 1997, to which position he was appointed for a period of three years.
- Part-time professorship in Fiscal Law, Catholic University of Nijmegen.
- Member of the Supervisory Boards of several companies, including Delta Lloyd Bank N.V.

The members of the Supervisory Board are all Dutch nationals.

The re-election for periods of one year and three years respectively of Messrs. Vinken and Lemstra will be proposed at the Annual General Meeting of Shareholders on March 27, 1998. None of the members of the Supervisory Board holds shares or share options in Wereldhave N.V.

## Investment properties at December 31, 1997

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

Location	Type	m	Parking spaces	Year of construction or renovation	Annual rent 1998 (x NLG 1 mln)
<b>Belgium</b>					
<b>Brussels</b>					
1-8 Boulevard Bischoffsheim	office	12,800	150	1988	6.6
22-25 Boulevard Bischoffsheim	office	6,000	64	1990	2.6
6 Muntplein/Schildknaapstraat	office	7,700	34	1987	3.0
58 Regentlaan	office	3,100	34	1975	1.6
<b>Liège</b>					
1 Quai des Venes	shopping centre	30,000	1,650	1995	14.1
<b>Nijvel</b>					
10 Steenweg op Bergen	shopping centre	15,400	800	1995	3.7
<b>Doornik</b>					
22 Boulevard Walter de Marvis	shopping centre	14,300		1996	3.1
properties with an open market value less than NLG 10 mln		9,000			2.9
		<b>98,300</b>			<b>37.6</b>
<b>Germany</b>					
<b>Frankfurt</b>					
21 Taunusanlage	office and shops	4,700	4	1990	4.1
<b>France</b>					
<b>Paris and environs</b>					
29-30 Quai de Dion Bouton; Puteaux	office	18,100	411	1987	5.4
56 Rue du Faubourg Saint Honoré/ 4-14 Rue d'Aguesseau (50 <sup>th</sup> )	office	6,400	50	1986	4.6
Shopping centre Parinor, Le Haut de Galy, Aulnay-sous-Bois	shopping centre	32,400		1996	16.6
		<b>56,900</b>			<b>26.6</b>
<b>Hungary</b>					
<b>Budapest</b>					
properties with an open market value of less than NLG 10 mln		3,200	37		1.6
<b>The Netherlands</b>					
<b>Alphen aan den Rijn</b>					
35 A. van Leeuwenhoekweg	other commercial space and offices	11,400		1991	1.2
<b>Amsterdam</b>					
64 Hornweg	other commercial space and offices	12,400		1991	1.1
<b>Arnhem</b>					
Shopping centre Kronenburg, 1-13 Kronenburg Passage (leasehold till 2110)	shopping centre and office	34,400	1,000	1985	13.0
<b>Best</b>					
4 Brem	other commercial space	11,300	690	1971	1.6
<b>Deventer</b>					
2 Duisburgstraat	other commercial space and office	18,300		1991	1.0
<b>Doorn</b>					
Park Boswijk, Boswijklaan	apartments	33,300		1996	3.8
<b>Etten-Leur</b>					
Shopping centre Etten-Leur, 1-72 Winkelcentrum	shopping centre and office	21,300		1980	5.3
<b>Geldrop</b>					
62-87 De Heuvel	shops with apartments	5,900		1996	1.7
<b>The Hague and environs</b>					
366-370 Sir Winston Churchilllaan, Rijswijk	office	50,000	656	1986	12.2
1-8 Koningin Julianaplein	office	11,600	79	1993	3.4
35 Rotterdamseweg, Rijswijk	other commercial space and office	56,500		1993	5.5
2-6 Nieuwe Havenstraat, Voorburg	office	19,000	351	1988	3.5
12 Veraartlaan, Rijswijk	office	5,600	87	1991	1.3
<b>Leiderdorp</b>					
Shopping centre Winkelhof	shopping centre	14,800	750	1990	5.1
<b>Nuth</b>					
15 Thermiekstraat	other commercial space	17,000	690	1987	2.3
<b>Roosendaal and environs</b>					
23 Borchwerf	other commercial space and office	15,400		1991	1.1
6 Middenweg, Moerdijk (municipality Zevenbergen)	other commercial space and office	8,800		1988	2.1
<b>Utrecht</b>					
1 Rutherfordweg	other commercial space and office	12,900		1994	1.2
properties with an open market value less than NLG 10 mln		51,600			6.3
		<b>411,500</b>			<b>73.0</b>

Location	Type	m <sup>2</sup>	Parking spaces	Year of construction or renovation	Annual rent 1998 (× NLG 1 mln)
<b>Spain</b>					
<b>Madrid</b>					
2 Plaza de la Lealtad	office	3,000		1972	1.5
15 Calle Fernando El Santo	office	3,250	43	1993	1.0
<b>Barcelona</b>					
2-4 Rambla de Cataluña	shops and office	5,250	50	1993	1.7
		11,500			4.2
<b>United Kingdom</b>					
<b>Blackburn</b>					
76-80 Bank Top	shops and office	3,500		1987	0.9
<b>Gloucester</b>					
63-71 Northgate Street & 14-20 Hare Lane	shops	4,000		1972	1.0
<b>Guildford</b>					
73-75 North Street	office	1,400		1976	1.1
<b>London and environs</b>					
126-134 Baker Street, W1	shops	1,700		1935	1.5
Cannon Park Way, Middlesbrough	shops	6,500		1982	1.2
76 Cannon Street, EC4 (leasehold till 2138)	office	800		1988	1.7
326-334 Chiswick High Road, W4	shops and office	2,300		1974	1.1
72-74 Dean Street, Royalty House, W1	office	2,600	12	1950	1.3
14-18 Eastcheap, EC3 (leasehold till 2128)	office	5,200		1991	4.0
Fielden House The Ring, Bracknell	office	1,600		1983	1.0
31-36 Foley Street, W1	office	3,300	12	1993	2.3
11-12 Haymarket, SW1	office	1,100		1988	1.5
65 Kingsway, WC2	office	6,000		1986	3.0
1-5 Lower George Street and 1 Eton Street, Richmond upon Thames	shops	2,900	10	1963	1.4
56-70 Putney High Street, SW15	shops	4,200	44	1971	1.7
10-12A Thames Street and 1, 2 & 5 Curfew Yard, Windsor	office	1,500	53	1972	1.2
<b>Redhill</b>					
Grosvenor House, 65/71 London Road	office	4,700	150	1986	2.8
<b>Rickmansworth</b>					
Olds Approach, 1 Tolpits lane	other commercial space	7,800		1993	1.3
<b>Sittingbourne</b>					
Trinity Trading Estate	other commercial space	36,500	200	1982	5.3
<b>Sheffield</b>					
Penistone Road	shops	3,900		1986	1.2
<b>Wakefield</b>					
24-28 Teall Street & 12-29 The Springs	shops	3,100	350	1988	1.4
<b>Whyteleafe</b>					
439/455 Godstone Road	office	7,300	270	1964	2.2
<b>Yeovil</b>					
Bay 6 Lynx Trading Estate	shops	2,900		1986	1.0
properties with an open market value less than NLG 10 mln		50,160			15.4
		164,960			56.5
<b>United States</b>					
<b>Dallas</b>					
1910 Pacific Place	office	29,700	14	1982	6.1
<b>Philadelphia</b>					
1515 Market Street	office and shops	46,900		1986	18.5
<b>Washington D.C.</b>					
1401 New York Avenue	office	17,800	165	1984	10.1
		94,400			34.7
<b>Total</b>		845,460			238.3

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

Healey & Baker, London  
Intervalor Roux S.A., Madrid  
Jones Lang Wootton, London

Troostwijk Valeurs S.A., Paris  
Troostwijk Taxaties B.V., Amsterdam

Troostwijk-Roux Expertises CVBA, Antwerp  
Troostwijk U.K. Ltd., London  
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, 1997. Dutch guilders have been converted at rates of exchange ruling at December 31, 1997. The annual rent is calculated on the assumption that the buildings are fully let and before deducting operating costs.

( <i>× NLG 1 mln</i> )	Offices		Shops		Other properties		Total	
	open market value	annual rent	open market value	annual rent	open market value	annual rent	open market value	annual rent
Belgium	158.0	15.5	240.9	22.0	0.9	0.1	399.8	37.6
Germany	54.1	3.5	8.4	0.6	0.0	0.0	62.5	4.1
France	102.6	9.9	220.8	16.7	0.0	0.0	323.4	26.6
Hungary	9.9	1.6	0.0	0.0	0.0	0.0	9.9	1.6
The Netherlands	166.8	26.1	243.1	24.7	197.4	22.2	607.3	73.0
Spain	32.0	2.6	17.9	1.6	0.0	0.0	49.9	4.2
United Kingdom	288.0	25.9	205.3	19.2	102.2	11.4	595.5	56.5
United States	239.2	32.2	16.0	2.5	0.0	0.0	255.2	34.7
<b>Total</b>	<b>1,050.6</b>	<b>117.3</b>	<b>952.4</b>	<b>87.3</b>	<b>300.5</b>	<b>33.7</b>	<b>2,303.5</b>	<b>238.3</b>

## General lease conditions

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

### Belgium

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

### Germany

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

### France

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

### Hungary

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

### The Netherlands

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

### Spain

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

### United Kingdom

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

### United States

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

## Development projects

(Projects with a value above NLG 10 mln)

### Belgium

Brussels  
30 Rue Joseph II

Reconstruction of an office building of 18,850 m<sup>2</sup> and 170 parking places. Estimated date of completion July 1, 1998

### United Kingdom

Rushden  
Manor Farm

Residential development site to create 185 dwellings in the first stage

### United States

Richardson  
Arboretum

Development of 338 apartments with completion as from May, 1998



**WERELDHAVE**

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

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