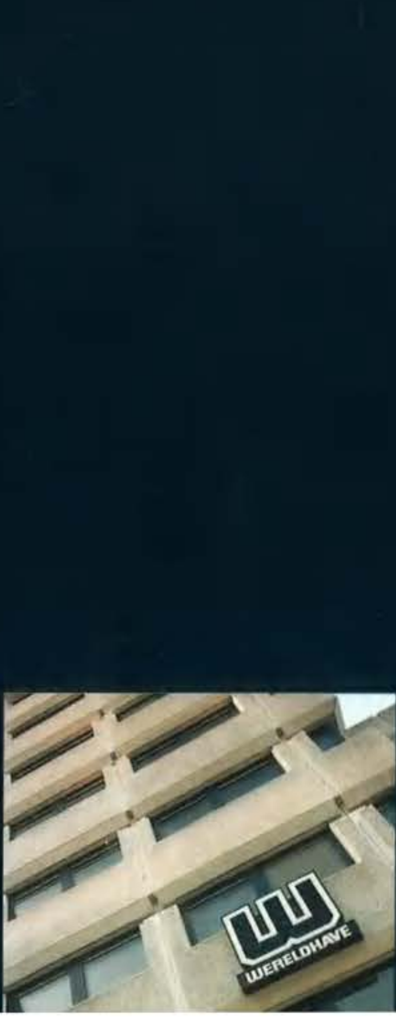
WERELDHAVE

ANNUAL REPORT

1998



Annual Report 1998 Wereldhave N.V.

Contents

This is the English translation of the official Dutch Annual Report and Accounts 1998.

Summary of past 5 years in Euro

	1998	1997	1996	1995	1994
Results					
(× EUR 1 mln)					
Net rental income	84.9	85.3	84.3	83.9	82.1
Profit	64.7	61.7	55.1	51.4	49.3
Balance sheet					
(× EUR 1 mln)					
Investments	1,269.6	1,090.4	1,139.5	1,059.5	1,115.6
Shareholders' equity	800.9	762.7	688.6	598.2	636.3
Long-term debt	313.0	290.5	370.5	400.6	419.1
Indirect investment result	2.2	41.4	53.8	./. 55.5	./. 56.5
Issued ordinary shares of NLG 20 nominal value					
– ranking for dividend at December 31	16,956,748	16,495,377	16,041,440	15,204,984	14,811,497
– average number in issue	16,834,997	16,380,631	15,759,729	15,096,775	14,496,012
Statistics per dividend ranking ordinary share					
(× EUR 1)[1]					
Net assets value[2]	47.03	46.03	42.71	39.12	42.69
Profit	3.80	3.73	3.43	3.37	3.31
Indirect investment result[3]	0.49	2.87	3.43	./. 3.64	./. 3.32
Dividend	3.29	3.29	3.29	3.29	3.28
	or ..... and ......%[4]	or 5.56%	or 5.88%	or 8%	or 8%
Profit per ordinary share (× EUR 1) (based on the average number in issue)	3.83	3.76	3.49	3.39	3.38

[1] The amounts per share up to and including 1994 have been adjusted for the 1994 bonus issue. An adjustment has taken place according to the 'issue method'.

[2] Assuming all shareholders opt for the full cash dividend rather than the combination of cash and bonus shares.

[3] Including the effect of issues of new shares and stock dividend.

[4] To be announced on March 18, 1999.

Summary of past 5 years

	1998	1997	1996	1995	1994
Results (× NLG 1 mln)					
Net rental income	187.2	188.0	185.8	185.0	180.9
Profit	142.6	136.0	121.5	113.3	108.7
Balance sheet (× NLG 1 mln)					
Investments	2,797.8	2,403.0	2,511.2	2,334.8	2,458.4
Shareholders' equity	1,765.0	1,680.7	1,517.4	1,318.3	1,402.2
Long-term debt	689.7	640.2	816.4	882.8	923.6
Indirect investment result	4.8	91.3	118.6	./. 122.2	./. 124.5
Issued ordinary shares of NLG 20 nominal value					
– ranking for dividend at December 31	16,956,748	16,495,377	16,041,440	15,204,984	14,811,497
– average number in issue	16,834,997	16,380,631	15,759,729	15,096,775	14,496,012
Statistics per dividend ranking ordinary share (× NLG 1)[1]					
Net assets value[2]	103.65	101.43	94.13	86.21	94.07
Profit	8.38	8.22	7.55	7.42	7.30
Indirect investment result[3]	1.09	6.33	7.55	./. 8.03	./. 7.32
Dividend	7.25 or ..... and ......%[4]	7.25 or 5.56%	7.25 or 5.88%	7.25 or 8%	7.24 or 8%
Profit per ordinary share (× NLG 1) (based on the average number in issue)	8.44	8.28	7.68	7.47	7.45

[1] The amounts per share up to and including 1994 have been adjusted for the 1994 bonus issue. An adjustment has taken place according to the 'issue method'.

[2] Assuming all shareholders opt for the full cash dividend rather than the combination of cash and bonus shares.

[3] Including the effect of issues of new shares and stock dividend.

[4] To be announced on March 18, 1999.

WERELDHAVE

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, France, Hungary, the Netherlands, Spain, the United Kingdom and the United States.
- The investment in Belgium is by way of a 67.7% interest in C.V.A. Wereldhave Belgium S.C.A., listed on the Forward Market of the Brussels Stock Exchange.

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 Exchange in Amsterdam.
- The Company is an investment company with variable capital. Only the Board of Management has authority to issue and acquire shares of the Company. 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 combination dividend 1998	:	March 18, 1999
– Annual General Meeting of Shareholders	:	March 25, 1999
– Dividend payment	:	April 6, 1999
– Publication 1999 first quarter report	:	May 7, 1999
– Publication of 1999 half-year report	:	August 10, 1999
– Publication of 1999 nine-months report	:	November 5, 1999
– Publication of 1999 Annual Report and Accounts	:	March 2000

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

  Website: www.wereldhave.nl

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, 1998. PricewaterhouseCoopers N.V. 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, the combination of a cash dividend and a tax-free dividend in the form of bonus shares to be charged to the tax-exempted share premium reserve, details of which combination will be announced on March 18, 1999.

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. Amongst the subjects discussed in the meetings with the Board of Management were the conversion of the information system to the Euro and that system's susceptibility to millennium-related problems, the financial 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.

Furthermore, the Supervisory Board met in a regular session to discuss its own functioning, the relationship with the Board of Management and the composition and assessment of the Board of Management, including matters pertaining to management succession and compensation. Rules have been drawn up governing the division of responsibilities within, and the working practices of the Supervisory Board together with a profile outlining the qualities sought in its members. The latter document, the most recent version of which dates from 1998, is available for inspection at the Company's offices.

At the Annual General Meeting of Shareholders to be held on March 25, 1999 Messrs. J.F. Visser and P.J. Vinken will retire by rotation. Mr Visser is available and offers himself for re-election. Mr Vinken has reached the statutory retirement age and is thus not eligible for re-election. The Supervisory Board and the Board of Management are deeply indebted to Mr Vinken for his hard work and commitment as well as for his expert counsel. The Meeting of the holders of Priority shares has decided that the Supervisory Board shall consist of four members. Mr Vinken's responsibilities will be assumed by the other members of the Supervisory Board. The re-appointment of Mr Visser is motivated by his knowledge and experience of the Supervisory Board's various tasks which meet the Board's membership profile.

On behalf of the Supervisory Board

J.F. Visser, Chairman

The Hague, February 25, 1999

Report of the Board of Management

1998 in perspective

There was a further improvement in Wereldhave's results in 1998. Net income increased from NLG 136.0 mln to NLG 142.6 mln. Profit growth has moderated somewhat due to the delay between the sale of older buildings as well as 30% of the shares of C.V.A. Wereldhave Belgium S.C.A. and the re-investment of the proceeds in income producing property. The occupancy rate for the portfolio amounted to 93.2% (1997: 93.6%). The profit per ordinary share amounted to NLG 8.44. A cash dividend of NLG 7.25 or, at the option of the shareholder, a dividend partly in cash and partly in the form of a tax-free dividend in bonus shares to be charged to the share premium reserve will be proposed at the forthcoming Annual General Meeting of Shareholders. The level of cash dividend and distribution rate of bonus shares of the optional dividend will be announced on March 18, 1999.

During 1998 Wereldhave carried out a large number of portfolio changes. Acquisitions took place in Belgium, France, the Netherlands, the United Kingdom and the United States amounting to NLG 609.7 mln. Properties were sold in Germany, Belgium, France, Spain and the Netherlands for a total sum of NLG 283.2 mln. In the course of the year under review Wereldhave incorporated its Belgian properties and local management organisation into a property bevak. Property bevaks are closely comparable to Dutch Investment Institutions. The establishment of a bevak enables Wereldhave to attain a substantial reduction of its Belgian tax liabilities and it increases the scope for acquiring properties in exchange for new shares. One of the conditions for the establishment of a property bevak is that at least 30% of the shares must be offered for sale on the Brussels Stock Exchange. Wereldhave successfully placed over 30% of the shares of property bevak C.V.A. Wereldhave Belgium S.C.A. with the public. The first transaction in the bevak's shares on the Forward Market of the Brussels Stock Exchange took place on June 18, 1998 at BEF 2,250. The share in the bevak is consolidated proportionally on the basis of net assets value. On December 31 of the year under review Wereldhave had a 67.7% share in C.V.A. Wereldhave Belgium S.C.A.

As from January 29, 1999 shares in Wereldhave N.V. ceased to be quoted on the Brussels Stock Exchange. This step has been taken to avoid confusion with the shares of C.V.A. Wereldhave Belgium S.C.A.. Based on market conditions the value of the investment property increased by 1.9% (1997: 1.3%) in local currency terms. At the end of 1998 the portfolio was valued at NLG 2,797.8 mln. The net assets value per share, after deduction of the full proposed cash dividend amounted to NLG 103.65 (1997: NLG 101.43 after distribution of profits).

During 1998 the Asian financial crisis spread to affect Russia and South America. The result was negative economic growth for a large number of emerging economies. Lower effective demand resulted in a halving of the rate of growth of world trade. In both the United States and Europe lower export growth was balanced by a faster increase in investment and private consumption. Lower commodity prices are contributing to lower inflation rates in the Western world and these in turn are helping to depress interest rates both in Continental Europe and the Anglo-Saxon countries. Real interest rates are currently at a lower level in Europe than in the United States and the United Kingdom. Remarkably, the higher real interest rates in the Anglo-Saxon countries have proved to be no hindrance to rapid growth in investment. More intense competition for sales is forcing companies to continually renew their operational processes and products.

In contrast to the United States and Europe Japan sank into a deep recession in the course of 1998. The Japanese banking system is struggling with serious solvency and liquidity problems. The lack of liquidity is reflected by a fall in general price levels. In order to raise liquidity the Japanese government has allowed the budget deficit to 'balloon'. It is unclear to what extent these measures will succeed in pulling the Japanese economy out of the mire and prevent a downward spiral in Asia and other emerging markets. What is clear is that growth will slacken in 1999 in both the United States and Europe although a recession there seems unlikely in view of the rapid pace of technological innovation and rising construction activity which meets growth in demand. It is expected that those countries with a well-developed infrastructure and a flexible economy will be the least affected by the intensifying competition on world markets and the acceleration of technological change.

The United States and European office markets had a good year in 1998. As the economies continued to expand there was a strong growth in the demand for office space and consequently more office accommodation was let than in 1997. The vacancy rate dropped in most office markets in 1998. Increased letting and falling vacancy rates had a positive effect on market rents. In most markets, during the year under review there was a further rise of rents. The steepest fall in vacancy rates over the past two years occurred in the better locations. This has stimulated the development of new sites with modern, efficient office buildings on the outskirts of the cities. New construction in the centre of the large cities is difficult at short notice and this is having a favourable effect on the occupancy levels in city-centre offices. Another factor lowering the vacancy rate in the city centres is the conversion of offices to residential use.

The retail property markets have also profited from continuing economic growth. There has been a considerable growth in consumer expenditure in Europe and the United States. Vigorous competition between retailers is reinforcing the trend towards larger outlets. The demand for larger shops has led to the supply of shopping space growing faster than retail sales. Only shops located on the best locations have seen an increase in sales per square metre. Increasing competition in the retail sector is also evidenced by the combination of shops with recreational and cultural facilities.

Rents for industrial properties have been fairly stable. Tenants are willingly to move to new accommodation or locations, which meet their requirements better. In general differences in rental levels within national markets are small.

Financial review

Results and equity

Profit after tax increased to NLG 142.6 mln (1997: NLG 136.0 mln). Profit per share, calculated on the basis of the average number of ordinary shares in issue, rose from NLG 8.28 to NLG 8.44. The increase in profit was the result of lower interest charges and general costs. The NLG 5.1 mln lower interest charges arose principally from property sales and repayment of loans. The reduction in general costs of NLG 2.5 mln can be traced mainly to lower pension costs and the sale of 32.3% of the shares of C.V.A. Wereldhave Belgium S.C.A.

There has been a slight fall in gross rental income. The most important reasons were the sale of 32.3% of the shares of C.V.A. Wereldhave Belgium S.C.A. and sales of income-producing properties exceeding purchases. The latter factor is also the principal cause of the significant fall in operating costs.

The relatively high average liquidity level during 1998 somewhat moderated profits growth. The primary source was the sale of the building at 20 Exchange Place, New York at the end of 1997. In addition the date of the stock market floatation of C.V.A. Wereldhave Belgium S.C.A. was fixed for June 18, 1998. The proceeds were re-invested over the remainder of the year. In addition it must be noted that development properties do not contribute to profits until they have been transferred to investment properties. Until then the related interest costs are capitalised at money-market rates, significantly below the rate of return on equity for new investments of at least 9% as required by Wereldhave. The indirect investment result over 1998 amounted to NLG 4.8 mln consisting of NLG 40.9 mln from a positive revaluation, – NLG 46.0 mln from currency movements and NLG 9.9 mln from other items. Net assets value per share, calculated on the basis of the number of ordinary shares in issue at the end of year amounted to NLG 103.65 as against NLG 101.43 at the end of 1997.

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

	1998	1997
Net assets value at January 1,		
before distribution of profits	108.68	101.38
less: previous year's dividend	7.25	7.25
	101.43	94.13
Direct investment result		
– Profit	8.38	8.22
Indirect investment result:		
– Revaluation	2.41	1.93
– Exchange rate differences/		
other movements	./. 2.12	3.60
– Effect of stock dividend	0.80	0.80
Net assets value at December 31,		
before distribution of profits	110.90	108.68
less: (proposed) cash dividend	7.25	7.25
Net assets value at December 31,		
net of (proposed) cash dividend	103.65	101.43

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. Holders of over 50% of the outstanding share capital opted for bonus shares rather than cash in respect of the 1997 dividend. This led to the issue of 461,371 new shares to bring the total number in issue to 16,956,748.

Positive property re-valuations and unfavourable currency movements held each other in close balance in 1998. Currency movements especially the loss in value of the pound Sterling (6.5%) and the U.S. Dollar (6.5%), depressed shareholders' equity by NLG 46.0 mln. Property re-valuations and other movements in balance sheet items boosted shareholders' equity by NLG 50.8 mln, the best part of which arose from the profit on the sale of 32.3% of C.V.A. Wereldhave Belgium S.C.A. minus Belgian capital gains tax. At the end of 1998 shareholders' equity, net of the proposed cash dividend, amounted to NLG 1,765.0 mln. In the beginning of 1998 long-term debt was lowered to nearly NLG 600 mln, to be raised to NLG 689.7 mln in December (1997: NLG 640.2 mln). During 1998 most new investments were financed from internal sources. In December new debt finance was arranged in pound Sterling for the purchase of an office complex in Warwick. Shareholders' equity at year-end represented 59.9% of total assets, as against 62.2% at the end of 1997. Wereldhave considers this financial position sufficiently secure to permit the financing of new investments and ongoing projects by debt.

As in the two previous years long-term interest rates fell during the year under review in all the countries in which Wereldhave operates. Money-market rates in the Euro zone converged to German levels, the official rate even to be set at 3% in December. Inflation has remained very moderate and inflation prospects are favourable in view of the tremendous competition on world markets and the crisis in Asia. Against this background we have continued to borrow at variable rates, certainly during the construction phase of developments. At the end of 1998 46% of borrowings carried a variable interest rate (1997: 45%). Should movements in interest rates so indicate the Company will avail itself of rate-fixing facilities in loan covenants and other opportunities for consolidating interest payments. The average interest rate on all borrowings amounted to 6.9% at the end of the year (1997: 6.9%). The unchanged average rate resulted from the fact that two loans in pounds Sterling at high interest rates weighed more heavily on a lower amount of total borrowings. During 1998 Wereldhave repurchased GBP 5.5 mln of these loans through a public offer. Total net interest charges were substantially lower than in 1997 following loan repayments and interest earned from temporary liquidity holdings. We aim for a balanced spread of maturity over the medium term with due regard for the flexibility required for investments and sales.

Currencies

Wereldhave's currency hedging policy is intended to be simple and understandable for shareholders. Investments in EMU-currencies are not hedged. As a standard guideline 50% of the currency risk on the national portfolios in U.S. Dollars and pounds Sterling is hedged. Depending on market circumstances and considerations of flexibility the percentage hedged can be raised or lowered by a maximum of 20% to yield a hedging range of 30% -70%. The Hungarian Forint is currently left unhedged in view of the limited exposure and the currency's limited convertibility. Currency hedging takes place through borrowing in local currency and the use of other financial instruments.

Dividend policy

Wereldhave acknowledges the preference of certain shareholders for a tax-free distribution of bonus shares. The dividend distribution however is largely determined 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. As in 1997 in the year under review there is a distribution requirement. An optional dividend will therefore be proposed to the Annual General Meeting of Shareholders in the form either of a cash dividend of NLG 7.25 or, at the shareholder's choice, a combination of a cash dividend plus a tax-free dividend in the form of bonus shares to be charged to the tax-exempt share premium reserve. The latter cash payment and the distribution rate for the associated bonus shares will be announced on March 18, 1999.

Wereldhave has a target of 75-85% of commercial profits to be distributed as dividend, provided of course that the legal distribution requirement is met. This target pay-out percentage is intended to be attained gradually by letting the dividend grow less rapidly than profits. The proposed dividend of NLG 123.3 mln for 1998 implies that a pay-out ratio of 86.5% has already been reached given the profit of NLG 142.6 mln. The background to this pay-out policy lies in the need to make regular investments in property to maintain its cash generating capacity (see also the section entitled 'Portfolio renewal'). Every year investments are needed to keep buildings competitive. If the full commercial profit were to be distributed without making provision for these investments, no funds would be available for these essential outlays. If they were to be funded by new borrowings or issues of new shares, profits per share would eventually come under pressure. Wereldhave is therefore of the opinion that part of commercial profits should be applied towards these investments. This pay-out policy will have a positive effect on the development of profit per share.

Stock market performance

After outperforming the Kempen Property Reinvestment Index (AKX) for several years in succession, in 1998 Wereldhave shares booked a stock market performance of –11.3%. The total return was 16.2% below the AKX. At the end of the year Wereldhave shares carried a price/earnings ratio of 12.6. Average daily turnover amounted to 36,000 shares.

The price/earnings ratios (P/E) were as follows:

P/E *)		Price			
		(× EUR 1)	(× NLG 1)		
1998		**1998**	**1998**	**1997**	**1996**
15.3	highest	58.51	129.00	128.50	109.00
11.8	lowest	45.15	99.50	107.00	87.50
12.6	closing	48.33	106.50	127.40	108.00

*) In the P/E calculation profits per share are based on the average number of shares in issue.

With the exception of Stichting tot het houden van Preferente en Prioriteitsaandelen B Wereldhave (Foundation for the holding of Wereldhave preference shares and B priority shares) which has a holding of well over 7%, Wereldhave does not know of any shareholder with an interest of 5% or more in the Company's share capital.

Economic and financial developments

The financial and economic crisis spread during 1998 to affect not only Asia but Russia and South America. In the second half of 1998 this led to a slackening in economic growth in the United States and Europe. Although the rate of economic growth fell in these regions, unemployment continued to drop. In Japan however the economic contraction led to a rise in unemployment. The current account deficit of the United States widened, while the balance of payments surpluses of Europe and Japan increased. At some future date this imbalance will have to be redressed but there was certainly no move in this direction in the first half of 1998 as both the U.S.-Dollar and the pound Sterling strengthened, peaking in April. These currency movements are the result of unexpectedly favourable inflation figures which widened the margin between real interest rates in the United States and the United Kingdom and in Europe. It had been expected that any further fall in unemployment with a consequent tightening of the labour market and faster growth in wage rates would lead to a rise in inflation in the Western economies. This expectation proved to be false in 1998. Inflation fell especially in the United States and the United Kingdom as a result of factors such as labour productivity, falling import prices and lower budget deficits. As inflation remained unexpectedly low, scope arose for reductions in official interest rates in the United States and Europe. No such reductions took place in the first half of 1998.

In mid-year the economic crisis in Russia started a period of great uncertainty on the financial markets. In August a large American hedge fund got into difficulties. The forced disposals which ensued induced a world-wide wave of sales pressure on the securities and currency markets, lowering prices by 30% in a short period of time. In this period the pound Sterling and the U.S.-Dollar lost 10% of their value. The Federal Bank of America considered itself obliged to organise a safety net and lowered interest rates to reverse the bearish sentiment on the equity markets. After some delay these measures were successful. Share prices recovered in October and November. Early December the European banks also decided to lower interest rates to facilitate the introduction of the Euro. The lower European interest rates led to a lower introduction price of the Euro. It is expected that the ECB will hold nominal official rates low for the time being in 1999. At the end of 1998 rising real interest rates led to an appreciation in the value of the yen. As economic growth abates and financial market disturbances multiply, the tension between interest-rate policy (inflation policy) and currency policy (employment policy) presumably will intensify.

Portfolio renewal

The peak of the economic cycle is a propitious period to consider renewing the portfolio. The property markets in various countries have developed favourably. The demand for accommodation has increased, vacancy rates have fallen and interest rates are low. Liberalisation and globalisation mean that corporations are faced with increasing competition for customers. The arrival of the Euro will reinforce this trend as it will make it more difficult to pass on cost increases in higher prices to consumers. Companies are attempting to solve this problem by raising efficiency, by improving their communications and by applying the most recent technology. The result will be a more dynamic private sector.

Mergers, restructuring and workplace relocations, all targeted at achieving economies of scale, are everyday events. In addition there is movement towards concentration within companies. Unrelated activities are being sold, specialist work is being outsourced and specific expertise boughtin as companies concentrate on their core activities. Increasing competition is forcing companies to speed up both their internal and external communication processes, in some cases by setting up temporary project organisations. In large corporations whole layers of the management hierarchy have been scrapped. At the same time there has been an increase in the number of part-time employees and a reduction in the average working week. These developments are causing companies to change demands on accommodation. There is a growing interest

in efficient and flexible modern office buildings. There is also an increasing demand for environmentally friendly buildings. This has been induced by the desire to improve working conditions and achieve environmentally efficient operating processes rather than to economise on energy costs since energy prices are low anyway.

Existing buildings can often only meet changes in tenants' requirements at inordinate cost if at all. This has led to companies being increasingly ready to relocate, moving from older, relatively poorly located buildings to flexible, accessible modern accommodation. This trend is expected to continue. The unexpectedly strong growth in demand has led to a sharp fall in vacancy levels over the last two years so that less attractive buildings can currently be readily let. In the somewhat longer term the supply can be expected to become more abundant, leading to increased competition for lettings. This will threaten buildings which no longer meet tenants' changing demands with rising vacancies.

The preference for modern efficient buildings leads to the accelerated functional obsolescence of property; this can make buildings built ten years ago seem out of date. Development projects can offer something extra to attract tenants and so these projects are less affected by the competition for lettings. This is most clearly seen in the United States where the competition between developers is generally livelier than in Europe. Land prices are, on average, lower than in Europe and the authorities are less restrictive. Subsequently many innovations in property such as factory outlets, urban

The office building "xx" in Delft, awarded with the Dutch building trophy in February 1999.

entertainment centres and business parks originated in the United States.

The forecast of a rise in construction activity in the longer term is based in part on the current low levels of interest rates and inflation. Low inflation confronts property companies with both increasing supply and low rental indexation rates. This means that when inflation is low property companies must pay extra attention to the wedge between gross and net rental income. Gross and net rental income in the profit and loss account is formed by rental income minus operating costs such as maintenance, letting expenses, landlord's service costs, taxes and insurance. In calculating the rate of return, one should also allow for vacancies and take account of depreciation, items which impact cash flow only when vacancies hit rental income or renovation takes place.

This integrated approach is based on the need to invest regularly in property to preserve its cash generating capacity. Such investments also improve the chances of securing a stable cash flow over the longer term. American analysts already incorporate a normalised annual figure for investments which ought to have been carried out when they analyse property companies. The figures involved vary from one class of property to another. The figures for office buildings, for instance, are higher than for shopping centres.

Portfolio renewal and product renovation thus offer a number of significant advantages. The renewal of the portfolio with products more closely meeting the user's requirements and which cause no environmental damage reduces maintenance and renovation costs, limits income losses from vacancies and boosts the property's liquidity. Development and redevelopment are the instruments whereby Wereldhave adapts its property portfolio to match the dynamism of its tenants. Renewal is a time-consuming and continuous process of purchase, renovation and sale of properties, but especially of product-innovation.

Investments

General

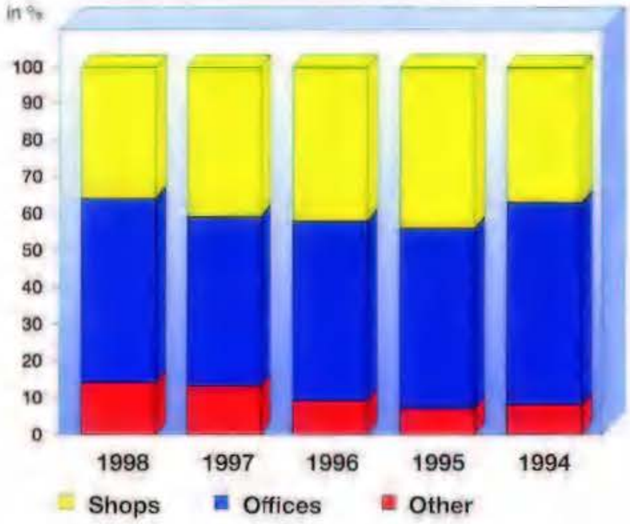
The following table shows the composition of the Company's investment property portfolio and the distribution of the investments for the period 1994 - 1998.

	1998	1997	1996	1995	1994
Distribution of investment properties (%)					
Shops	36	41	42	44	37
Offices	50	46	49	49	55
Other commercial	14	13	9	7	8
Geographical distribution of investments (%)					
Belgium	13	19	18	19	17
Germany	-	3	3	4	4
France	17	13	12	12	13
Hungary	<1	<1	<1	<1	<1
The Netherlands	23	26	21	24	22
Spain	1	2	2	3	3
United Kingdom	27	25	31	25	26
United States	18	11	12	12	14

The share of office property in the portfolio rose in 1998 to 50%, whereas the shares of retail property fell to 36% and the share of other commercial property rose to 14%, as a result of the addition to the portfolio of – in balance – 3 office buildings and the sale of 32.3% of the shares of C.V.A. Wereldhave Belgium S.C.A. The geographical distribution now shows an increased share in the United States.

During 1998 Wereldhave has acquired properties in Belgium, France, the Netherlands, the United Kingdom and the United States. Acquisitions of investment properties (NLG 283.3 mln) and development projects (NLG 326.4 mln, including NLG 234.1 mln investment obligations) amounted to NLG 609.7 mln. Sales amounting to NLG 283.2 mln occurred in Germany, Belgium, France, the Netherlands and Spain. The disposal of the Frankfurt, 21 Taunusanlage property marks our complete withdrawal from the German market. Investment in improvements and additions to the portfolio amounted to NLG 93.7 mln. There was a net upward adjustment to the value of the investment properties of 1.9% in local currencies. The portfolios in all countries underwent positive re-valuations. At the end of the year investment properties had a total value of NLG 2,339.6 mln measured in local currency. The average occupancy rate in 1998 was 93.2%.

Distribution of investment properties



Sales proceeds and sales profit 1988-1998

Over the past ten years properties to the value of NLG 2,110.6 mln (investment and trading properties) have been sold, an average of approximately 8% per annum.

Net proceeds
(× NLG 1 mln)

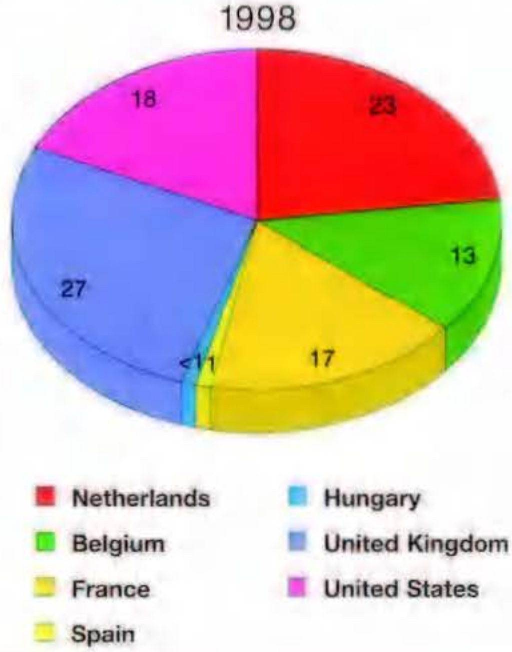
	Netherlands	Belgium	France	Germany	Spain	U.K.	U.S.	Total
1989	97.2	26.7	–	–	–	199.7	18.9	342.5
1990	63.9	–	–	–	–	73.1	–	137.0
1991	16.2	–	–	–	–	107.9	–	124.1
1992	50.5	–	117.4	–	–	25.1	–	193.0
1993	67.5	79.6	–	147.0	–	44.4	–	338.5
1994	10.3	–	–	–	–	30.4	–	40.7
1995	1.7	–	29.3	–	–	5.2	–	36.2
1996	83.4	35.9	–	–	–	10.5	–	129.8
1997	1.5	19.0	–	–	9.0	345.0	111.1	485.6
1998	1.7	159.1	45.0	56.9	20.5	–	–	283.2
	393.9	320.3	191.7	203.9	29.5	841.3	130.0	2.110.6

As the table shows in the overwhelming majority of cases the sales proceeds exceeded the book value at the end of the previous year. Currency movements have been eliminated.

Net proceeds
(as a % of book value)

	Netherlands	Belgium	France	Germany	Spain	U.K.	U.S.	Total
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
1998	116	124	101	91	96	–	-	110
average	103	114	101	100	97	109	105	107

Geographical distribution of investments (in %)



The key economic figures in the following national market reviews have been drawn from the December 1998 edition of the OEDC 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

	1998	1997
Economic growth	2.9	3.0
Inflation	1.3	1.4
Growth in private consumption	2.8	2.1
Growth in employment	1.4	0.5
Unemployment rate	11.8	12.7

In 1998 gross take-up of offices in greater Brussels amounted to approximately 500,000 m², a fall of 150,000 m² from the figure for the previous year when the European Community entered into a number of large leases but well above the figure of 430,000 m² recorded in 1995 and 1996. The corporate sector has a strong preference for readily accessible modern offices in green city fringes. Woluwe, Waterloo and Vilvoorde are popular locations. The favourable figures for gross lettings have not prevented an increase in unlet office space from over 700,000 m² to 760,000 m². This indicates a significant volume of transactions, accounted for by firms changing their accommodation. The average vacancy rate in Brussels is currently 7.5%. Around 6% in the Quartier du Nord and Quartier Léopold is unlet. There are almost no office vacancies on the periphery. At the end of 1998 there was around 300,000 m² of office space under construction, divided evenly between the city centre and its fringes. It is to be expected that the low level of vacancies on the periphery will encourage further development activity. There has been a slight increase during 1998 in market rentals for first-class modern office buildings from BEF 8,250 to BEF 8,500 per m² per year. Unrenovated older buildings are increasingly difficult to let.

Consumer expenditure was at a high level in 1998. Most retail outlets were able to profit. Shopping centres, with their multitude of facilities and wide choice of shops, continued to be well patronised. Market rents have been stable but modest rental increases have been noted on the transfer or renewal of lease contracts.

1998 can be characterised as the year of the property bevaks, eight of which are now quoted on the Brussels Stock Exchange. The largest property transactions involved the acquisition of property by bevaks in exchange for new shares. Wereldhave's Belgian properties and local management organisation were incorporated in 1998 in a bevak, C.V.A. Wereldhave Belgium S.C.A., which was introduced on the Forward Market of the Brussels Stock Exchange on June 18. The first shares exchanged hands for BEF 2,250. Wereldhave Belgium made two purchases in 1998. A piece of land was acquired in Nivelles for the further expansion of Wereldhave's shopping centre. Initial investments were made in the construction of two office buildings in Vilvoorde with a total floor space of approximately 10,000 m². The project will ultimately involve four office buildings for a total of approx. 22,000 m². The site was acquired in December 1998. The Joseph II building in Brussels was completed in January 1999. Discussions on lettings are being held with several interested parties. No properties were sold in 1998, other than the sale of 32.3% of C.V.A. Wereldhave Belgium S.C.A..

The occupancy rate of the C.V.A. Wereldhave Belgium S.C.A. portfolio amounted to 97.3%. The value of the portfolio rose by 2.3%. At the end of 1998 Wereldhave's share in C.V.A. Wereldhave Belgium S.C.A.'s property portfolio was valued at NLG 377.3 mln.

Entrance of the Parinor shopping centre, Aulnay-sous-Bois

France

	1998	1997
Economic growth	3.1	2.3
Inflation	0.7	0.9
Growth in private consumption	3.4	0.9
Growth in employment	1.2	0.4
Unemployment rate	11.8	12.4

The demand for office space in Paris increased to just under 2 million m^2 during the year under review. Not only is economic growth accelerating but the introduction of the Euro is inducing mergers and reorganisations in the corporate sector. Telecommunications and computing are the sectors experiencing the strongest growth in employment and have a preference for the western part of the city which is easily accessible by public transport. Companies are also attempting to improve productivity by concentrating their activities on a single site. This has stimulated the demand for large modern office buildings. In addition there is a strong demand for the most modern office space. The availability of such buildings fell sharply in 1998. During the period 1992-1997 the vacancy rate of around 10% discouraged new construction activity. The vacancy rate in the centre of Paris and the Western rim of the city has now dropped to 4.5%. Elsewhere there has been scarcely any improvement.

The retail market continues to be strong. One of the explanations is the effect of the Raffarin-law which restricts the development of new shopping space. As a result retail chains are engaging in lively competition for the available retail locations. Rentals for the most sought-after sites are rising. Shops on such sites have experienced growth in turnover. Sales growth at Wereldhave's Parinor shopping centre even rose by 8%.

The liquidity of French property has been raised substantially by a reduction in stamp duty to a flat 4.5% rate from 18.2% for office buildings and 7.5% for residential property. During 1998 Wereldhave commenced the construction of a retail and leisure complex in Dunkirk and the 20,000 m^2 office building Ilot Kleber at Levallois-Perret (in the Western part of Paris). Both projects are due for completion during the last quarter of 1999. The building at 83, Quai de Dion Bouton, Paris was sold in March 1998 for a price equal to the book value at the end of 1997.

The occupancy rate of the French portfolio was 95.9%. After a positive 2.1% revaluation the value of the portfolio amounted to NLG 474.5 mln at the end of 1998.

Hungary

	1998	1997
Economic growth	5.1	4.3
Inflation	14.8	18.4
Growth in private consumption	3.8	(0.9)
Growth in employment	1.0	0.2
Unemployment rate	8.2	8.9

Vacancies on the Budapest office market have fallen rapidly from a 15% rate two years ago to 8% currently. This unexpectedly swift drop is the result of the reduction in new building activity. Less new office space was added to the existing stock in 1998 than in previous years. Investors in emerging markets are increasingly cautious. Around 60,000 m^2 of office space is let annually. The rapid growth of the Hungarian economy (over

51 Rutherfordweg, Utrecht

5% in 1998) is expected to engender a sharp increase in the demand for office accommodation. The reduction in the vacancy rate has until now had little effect on market rents in the centre of Budapest which still vary from DEM 35 to DEM 40 per m² per month. The reason is that the centre of Budapest is difficult to reach by car and lacks parking. Many companies are therefore moving to the outskirts where rents are lower. Older buildings in the centre are becoming available for Hungarian companies which are unable to pay high rents for new buildings and whose staff by and large travel by public transport. The office parks being developed on the edge of the city will provide future accommodation for Western computer and telecommunication companies. It is expected that the old office buildings in the centre will eventually be converted to luxury flats.

The occupancy rate of the Hungarian portfolio was 95%. After a positive 0.5% revaluation the value amounted to NLG 8.7 mln at December 31, 1998.

The Netherlands

	1998	1997
Economic growth	3.8	3.6
Inflation	1.9	2.2
Growth in private consumption	3.7	3.0
Growth in employment	2.9	3.4
Unemployment rate	4.1	5.5

Employment expanded strongly in both 1997 and 1998 leading to a considerable increase in the number of lettings. Vacancy levels have fallen since 1994. The relatively low level of rents in the Netherlands meant that the expected return on new construction activity during the period 1993-1996 was poor. During the last two years the increase in demand and the low vacancy rates have resulted in substantial increases in rents. Office market conditions in Amsterdam and Utrecht are especially tight. Rents in these cities rose by 15% in 1998. Newly-built properties have in many cases experienced even steeper increases.

The growth in office employment has been most in evidence in the telecommunication and information technology industries and in corporate services. Firms in these sectors are looking for efficient offices on sites offering enough parking spaces and readily accessibility by road and public transport. Good new locations meeting these requirements are scarce and companies have been willing to move to such sites anywhere in the Randstad proper or along its perimeter, leaving older office buildings in less attractive locations empty in their wake. Within the large cities offices are becoming increasingly clustered around points where public transport routes converge. Higher rents and low interest rates are forecast to lead to an upsurge in construction activity in the coming years with an unfavourable effect on occupancy rates. In this case only efficient offices in good locations will be let with ease.

The Dutch retail market has had a good year. Turnover in the non-food sector has grown strongly. This is beneficial for the larger shopping centres and city-centre shops selling fashionable clothes and related items. The dearth of parking spaces in city-centres is an important stimulus for the development of large retail outlets on peripheral sites and has led to increased concentration in the shop market. The conversion of office space to residential use has increased the pressure on parking spaces in the city centre. The growth in eating and drinking establishments and entertainment facilities in the inner-cities has increased the average parking time and consequently the demand for parking spaces.

In January 1998 a site was acquired in Delft for the construction of a 2,000 m² office building which is now fully let. Work has begun on the addition of approximately 3,000 m² to shopping centre Winkelhof in Leiderdorp. The redevelopment of the Ypenburg industrial estate in Rijswijk to provide a multi-tenant complex for mixed commercial use is proceeding according to plan. Some obsolescent sections have been replaced by new buildings and the existing sections have been redivided and altered. Once the current lease on the Bogaard Centre in Rijswijk runs out in September 1999 part of this office building will be renovated and part will be converted to residential use. No properties were sold in 1998 with the exception of a number of flats in Park Boswijk in Doorn.

The occupancy rate of the Dutch portfolio was 93.2%. After a positive revaluation of 0.8% the value of the portfolio amounted to NLG 641.7 mln.

Spain

	1998	1997
Economic growth	3.8	3.5
Inflation	2.6	2.0
Growth in private consumption	3.5	3.1
Growth in employment	3.1	2.9
Unemployment rate	19.1	20.8

A record amount of office space was let on the Madrid market in 1998: 500,000 m² as against 400,000 m² in 1997 and 300,000 m² in 1996. Lettings also increased in Barcelona in 1998. The growth in demand was not met by an increase in supply. Persistently high vacancy levels and falling market rents in the period 1992-1996 discourage development activity in the recent past. Only 85,000 m² came on to the market in Madrid and only 50,000 m² in Barcelona. As a result office vacancy levels are now falling and have reached around 5% in both Madrid and Barcelona. Only on the outskirts is the vacancy rate substantially higher. The lack of suitable office space in the city centre makes firms more willing to settle for less prestigious locations on the periphery. These new office locations are gaining popularity. City-centre rental

2. Plaza de la Lealtad, Madrid.

levels in Madrid and Barcelona increased by approx. 15% in 1998. Tenants now pay ESB 2,500 - 3,000 per m² per month in central Madrid and ESB 2,300 - 2,500 in central Barcelona. Well-fitted new office buildings in office parks on the edge of the cities have seen the most rapid increase in rents. More construction can be expected on these sites over the longer term. As was the case in the 1980's new office developments are being held back by the exceedingly high prices demanded for construction sites.

Spain's rapid economic growth is reflected in the strong growth of consumer expenditure. Sales growth is going hand in hand with higher retail rents. Further growth is expected in the supply of retail space. Large retail chains are showing intense interest in the Spanish market.

The acceleration in economic growth is leading to a stronger market for industrial property. Firms are increasingly attracted to new industrial buildings on modern industrial estates. Investors are still very interested in older industrial properties because of their relatively high initial yields.

Wereldhave sold the office building at Rambla de Catalunya 2 - 4 in Barcelona in October for a price of 4% below the book value at the end of 1997. We expect to add to our Spanish portfolio in 1999. The occupancy rate was 91.1% in 1998. At the end of the year the portfolio was valued at NLG 31.9 mln, after an upward revaluation of 12.8%.

United Kingdom

	1998	1997
Economic growth	2.7	3.5
Inflation	2.2	2.7
Growth in private consumption	3.0	4.2
Growth in employment	0.5	1.7
Unemployment rate	6.5	6.9

The consensus opinion is that the office market peaked in 1998. Letting activity did increase slightly in 1998 but slackening economic growth is beginning to affect demand. Uncertainty on the financial markets is making financial institutions more cautious in taking on new commitments. The vacancy rate in Central London fell once more in 1998 to about 6%, a figure which holds for the City, Holborn and the West End too. There has been a remarkably steep reduction in vacancies in the Docklands from 15% to approx. 7%. In Canary Wharf, where the best offices are located, almost all the office space has been let and rent increases have been higher than anywhere else. Outside Central London there was also an increase in the demand for office space and in rents. The higher rental levels in and around London are leading companies to look for cheaper accommodation elsewhere. One important requirement which locations outside London must satisfy is a high level of accessibility.

Conditions on the British retail property market are mixed. High interest rates have restricted the growth in consumer expenditure and forced up the value of the pound against European currencies. This has damaged tourism and is hurting turnover in shops, hotels and eating and drinking establishments. Competition between retail chains for prime locations continues to intensify. Shop rents for large outlets in the main shopping streets and in large shopping centres again rose to new records. Large-scale retail outlets are usually located on the outskirts of the large cities, are easily accessible by car and provide sufficient parking spaces. These outlets have enjoyed a rapid rise in turnover. Recently the authorities have intro-

Acquisitions in the United Kingdom during 1998

Office complex
Technology Park, Warwick

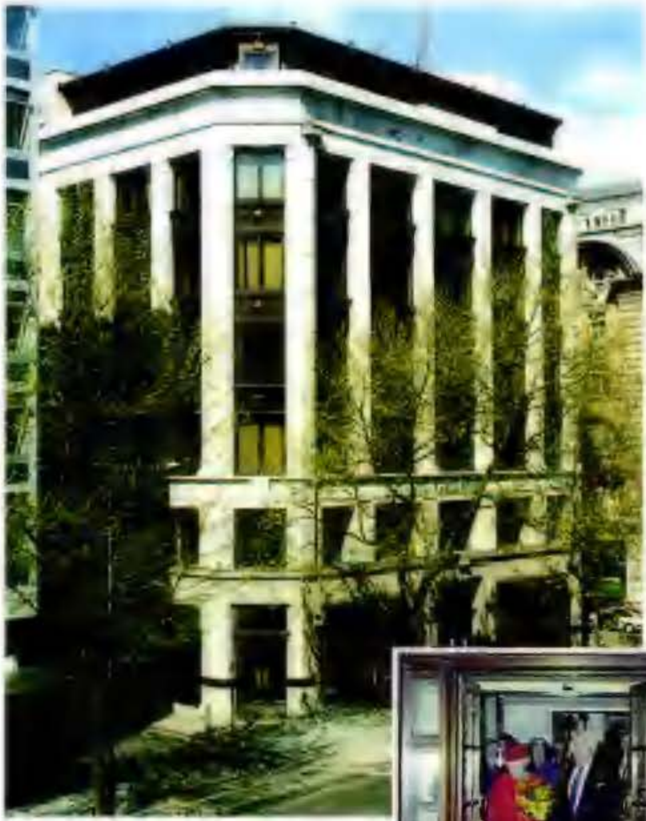
100 Pavillion Drive, Northampton

duced measures to restrict the growth of such out-of-town shopping. This will benefit those main shopping streets which are readily accessible and have abundant parking space.

There has been a gradual recovery in the market for commercial property as can be seen in the falling vacancy levels. This is surprising since demand is fairly weak given the slackening in the rate of economic growth. The fall in the vacancy rate can be explained mainly by the low level of new building activity which currently amounts to 50% of the volume coming on to the market ten years ago. As nominal interest rates have fallen investors have shown more interest in industrial property.

In September 1998 Wereldhave purchased a fully-let office building of approx. 11,000 m² in Northampton. In Folkestone Wereldhave acquired a number of buildings which will be incorporated in Bouverie Place, the scheme for the redevelopment of the city centre. In December 1998 a high-quality office complex was purchased at Warwick, near Birmingham. The complex, which was built in 1992 and has a lettable area of approximately 21,800 m², is fully let. A small building was also acquired in Truro.

The occupancy rate in the portfolio amounted to 97.2% and the value as of December 31, 1998 after an upward revaluation of 1.7% was NLG 757.5 mln.



Visit of HRH The Queen of England at the 65 Kingsway, London office building on November 18, 1998.

United States

	1998	1997
Economic growth	3.5	3.9
Inflation	1.0	1.9
Growth in private consumption	4.7	3.4
Growth in employment	1.3	2.2
Unemployment rate	4.6	4.9

The continuing economic expansion in America has been accompanied by a growing demand for office space. This had led to a drop in vacancy levels to below 10% both in the large cities and in suburban markets. Strong growth in construction activity in the suburbs has now led to a slight reversal in the falling vacancy trend. Up till now little construction activity is in evidence in the centres of the large cities and so vacancies there are still dropping. Market rates for offices in the United States rose by an average of 15% in 1998. Increases have been most rapid in those areas where employment growth has been strong and construction activity weak. In the North and West of the country official policy on development is relatively restrictive and this has curtailed the

Office building Victor V, Livonia.

growth in supply which is raising rental levels and impeding the expansion of employment. Only the attractive Western cities have been able to combine relatively high rental levels with strong growth in employment. In the South, where there are few building restrictions, rents are relatively low. Low accommodation costs, low taxes and living costs attract new employers and new jobs. This leads to highly dynamic property markets. The uncertainties on the financial markets has made it more difficult for developers and quoted property investment funds (REITs) to secure credit. This caused a fall in the amount of new building starts at the end of 1998.

Consumers' expenditure grew more rapidly than forecast during the year under review. This has made it a good year for retailers although sales per square meter increased only modestly because of the expansion in the supply of shopping space. Competition between shop keepers in this phase of the business cycle has continued to be fierce. There is a still considerable growth in large-scale retail outlets selling a wide selection of goods at cheap prices. Large inner-city shops and large shopping centres are attempting to counter this increasing competition by placing more emphasis on branded goods, layout and entertainment. Smaller local shopping centres main attraction is that they reduce travelling time for the consumer.

The vacancy rate for industrial property rose from 7% to 7.5% in 1998. During the period 1992-1997 there had been a drop from 11% to 7%. If the rate of economic growth lessens further vacancies are expected to continue to rise. Industrial property can be constructed quickly and so new building activity reacts quickly to changes in demand. The rise in vacancies is attributable in part to the arrival on the market of attractive new properties in the form of 'flex space'. The residential market is stable with new construction activity more or less in line with the growth of demand.

In May 1998 Wereldhave bought a 9,800 m² office building in Pittsburgh and another of 10,300 m² in Livonia (Michigan). In September a 10,000 m² office building was acquired in Dallas. In addition sites were purchased for the construction of offices in Austin (3), Pittsburgh (2) and Washington (2). Land was purchased in Dallas for the building of 525 flats. In all these cases the proposed land use is already permitted under the existing planning provisions. Work has already begun on the construction of the three offices in Austin. Completion is planned for the final quarter of 1999. In the fourth quarter of 1998 the last stage of Arboretum, a project comprising 525 flats in Richmond was completed. Letting is proceeding according to expectations.

In October 1998 three office buildings were acquired in Dallas, Texas: there are two 7,400 m² buildings and one of 10,700 m². The buildings were completed recently. The two 7,400 m² buildings are by now fully let and negotiations are under way on letting the third building. The occupancy rate in the portfolio amounted to 87.5%. At the end of the year the portfolio was valued at NLG 506.2 mln, after an upward revaluation of 0.2%.

Organisation and staff

General

Wereldhave employed an average of 100 staff in 1998 (1997: 105), 61 (1997: 63) of whom worked in the local management offices. During the year under review particular attention was paid to the documentation of all the job positions within the organisation and the determining of the job qualification criteria and of staff assessment methodology. In view of the many changes in the property industry staff training will be a major priority in 1999. We look forward with every confidence to this training and should like to take this opportunity to thank our staff for their hard work and commitment.

Euro

Wereldhave adopted the Euro on January 1, 1999. The central information system for the financial administration has been converted successfully. This means that both the internal and the external information flow such as interim and annual reports is in Euro. Tenants can choose to be billed in their local currency or in Euro. Currency hedging policy has been adapted to take account of the disappearance of currency risks in investing in the European Monetary Union (see 'Currencies' under 'Financial Review').

Millennium

Wereldhave is confident that the millennium change will pose no difficulties for the central information system. The system is based on mainframe and database technology. The provider of the system has declared in writing that it will continue to perform in the next century. All data fields in the system have four positions for the year. In November tests on parts of the system have been carried out with January 1, 2000 as test date and have proved that the critical parts of the system can cope with the advent of another century. In the first quarter of 1999 an extensive test will be run on the complete system. Similar tests have been carried out on the PC-hardware in use within the company and these have shown this hardware to be millennium-proof.

Potential risks attaching to the buildings have been listed. Suppliers of services and products such as lifts, fire prevention and heating equipment have been asked to provide a 'millennium guarantee'. If necessary remedial measures will be taken.

Prospects

General

Economic prospects for the current year are moderately favourable. Although the problems in the emerging economies have still not been solved they are not expected to push Europe and the United States into recession. World trade will continue to grow only slowly in 1999 and this will depress growth in the Western economies. This, in turn, means that companies will be more cautious in making investments. During 1998 the growth in investment and in consumer expenditure was a sufficiently strong compensatory force to maintain the momentum of economic growth in Europe and the United States. This will be a less powerful factor in 1999 and so the rate of economic growth will slip to 1 to 2%. The fast pace of technological progress offers wide possibilities for new investment.

Lower interest rates can help to maintain expenditures in the short term. In the longer term growth in expenditure is conditional on continuing improvements in labour productivity. The growth in information technology and telecommunication is accompanied by an expansion in the services sector and a consequent increase in office-based jobs. This effect is most clearly visible in a number of large American cities. The first sporadic signs of this development are already in evidence in Europe.

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 with insight into the wishes of users of property. There is an increasing demand for efficient and flexible buildings in which the concern for the long-term environmental effects plays a leading role. Older buildings can meet these changing requirements only at a very high cost if at all. By regularly disposing of older buildings and adding new buildings to the portfolio the annual costs of modernisation can be reduced. Investments in development projects under construction amounted to approximately NLG 458 mln at year-end, providing an expected return on equity based on current financing of at least 9%. In the course of 1999 four projects in the United States, two in France, two in the Netherlands and one in Belgium will be completed. A further expansion of the portfolio will take place in all countries in which Wereldhave currently operates, with the exception of Hungary.

Results 1999

In view of the economic prospects Wereldhave expects to achieve an improvement in investment results and a higher profit per share in 1999. The property sales and investments in new projects effected in 1998 will make an important contribution to this improvement in the results. The development project, reaching completion in the course of 1999 and the years thereafter will provide a further boost to profit per share over the longer term.

Board of Management Wereldhave N.V.

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

The Hague, February 25, 1999

Consolidated balance sheet at December 31, 1998

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

	note	1998		1997	
Assets					
Investments					
Property investments	1		**2,797.8**		2,403.0
Accounts receivable	2		**84.1**		21.5
Other assets	3		**66.9**		278.2
			2,948.8		2,702.7
Liabilities					
Shareholders' equity			**1,765.0**		1,680.7
Provisions	4		**38.8**		45.2
Long-term debt					
loans	5	**682.0**		630.6	
other liabilities	6	**7.7**		9.6	
			689.7		640.2
Short-term liabilities	7		**455.3**		336.6
			2,948.8		2,702.7

*) See note 7 on page 31 and the proposed distribution of profits under 'Other information' on page 37.

Consolidated profit and loss account for 1998

(× NLG 1 mln)

	note	1998		1997	
Investment income					
gross rental income	1	**224.0**		231.1	
operating costs	1	./. **36.8**		./. 43.1	
net rental income	1		**187.2**		188.0
Costs					
interest costs	2	./. **34.8**		./. 39.9	
general costs	3	./. **9.4**		./. 11.9	
			./. **44.2**		./. 51.8
result before tax			**143.0**		136.2
taxes on corporate income			./. **0.4**		./. 0.2
Profit after tax			**142.6**		136.0

Movements in shareholders' equity in 1998

(× NLG 1 mln)

	1998		1997	
Direct investment result – profit after tax		**142.6**		136.0
Indirect investment result – movements in reserves as a result of differences in valuations and exchange rates	./. **23.1**		90.9	
– other	**27.9**		0.4	
		4.8		91.3
Proposed dividend		./. **123.3**		./. 119.9
Dividend not paid out for 1997 resp.1996		**60.2**		55.9
Increase in shareholders' equity		**84.3**		163.3

Consolidated cash flow statement for 1998

(× NLG 1 mln)

	1998		1997	
Cash flow from operational activities				
direct investment result	**142.6**		136.0	
movements in accounts receivable	**./. 62.6**		17.8	
movements in other assets	**0.1**		0.6	
movements in short-term liabilities	**115.2**		51.7	
movements in provisions	**./. 24.4**		0.6	
		170.9		206.7
Cash flow from investment activities				
investment in property	**./. 703.4**		./. 184.1	
disposals of property	**289.9**		478.4	
other movements in revaluation reserve	**28.2**		0.6	
		./. 385.3		294.9
Cash flow from finance activities				
new loans/redemptions	**73.7**		./. 225.7	
movements in other long-term liabilities	**./. 1.9**		./. 1.3	
dividend	**./. 59.6**		./. 60.8	
other movements in revaluation reserve	**./. 0.3**		./. 0.2	
		11.9		./. 288.0
net cash flow		**./. 202.5**		213.6
exchange rate differences		**./. 8.7**		./. 35.8
Decrease/increase in cash and bank balances		**./. 211.2**		177.8

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. For that reason acquisitions and sales of interests in group companies are incorporated as acquisitions and sales of assets and liabilities. In 1998 this concerns of sale of 32.3% of the shares of C.V.A. Wereldhave Belgium S.C.A.. 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:

		1998		1997
100 BEF	**NLG**	**5.463**	NLG	5.463
100 FRF		**33.595**		33.68
100 ESB		**1.324**		1.331
1 DEM		**1.12674**		1.12705
100 HUF		**0.862**		0.985
1 GBP		**3.12381**		3.342
1 USD		**1.88876**		2.019

Tax status

Wereldhave N.V. has the tax status of an Investment Institution 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 1997 bonus issue resulted in retained cash dividends in 1998.

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, results on disposals, 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, 1998

(× NLG 1 mln)

	1998	1997
1 Property investments		
Investment properties	**2,339.6**	2,303.5
Development properties	**458.2**	99.5
	2,797.8	2,403.0

Investment properties

	1998	1997
balance at January 1	**2,303.5**	2,464.7
exchange rate differences	**./. 57.7**	154.2
	2,245.8	2,618.9
purchases/expenditures	**308.8**	133.2
transferred from/to development properties	**0.6**	./. 2.0
	2,555.2	2,750.1
disposals	**./. 258.5**	./. 478.4
	2,296.7	2,271.7
valuation adjustments	**42.9**	31.8
balance at December 31	**2,339.6**	2,303.5

To the amount of NLG 218 mln properties have been charged by mortgage

Development properties

	1998	1997
balance at January 1	**99.5**	46.5
exchange rate differences	**./. 1.9**	0.1
	97.6	46.6
purchases/expenditures	**394.6**	50.9
transferred to/from investment properties	**./. 0.6**	2.0
	491.6	99.5
disposals	**./. 31.4**	–
	460.2	99.5
revaluation	**./. 2.0**	–
balance at December 31	**458.2**	99.5

	1998	1997
2 Accounts receivable		
debtors	**9.6**	9.3
prepaid costs	**5.5**	4.1
taxes recoverable	**1.1**	0.2
other	**67.9**	7.9
	84.1	21.5
3 Other assets		
cash and bank balances	**63.7**	274.9
office equipment and cars	**3.2**	3.3
	66.9	278.2
4 Provisions		
provisions for contingent tax liabilities	**38.8**	45.2

The provision for contingent tax liabilities has a nominal value of NLG 106 mln and is considered to be mainly of a long-term nature.

	1998	1997
5 Loans		
balance at January 1	**630.6**	805.5
exchange rate differences	./. **22.3**	50.8
	608.3	856.3
new loans/redemptions	**73.7**	./. 175.2
	682.0	681.1
less: short term loans	**-**	./. 50.5
balance at December 31	**682.0**	630.6
Redemption scheme:		
1 to 2 year	**154.2**	100.0
2 to 5 year	**183.2**	313.5
5 years or more	**344.6**	217.1
	682.0	630.6

Loans can be illustrated as follows:

Currency	Distribution percentage December 31		Average interest rate December 31	
	1998	1997	**1998**	1997
NLG	**14.7**	23.8	**7.0**	6.1
BEF	**18.0**	19.5	**4.0**	4.0
ESB	**-**	2.5	**-**	5.4
GBP	**40.5**	31.8	**8.5**	9.7
USD	**26.8**	22.4	**6.4**	6.6
	100.0	100.0	**6.9**	6.9

6 Other long-term liabilities

This item consists of tenants' deposits.

7 Short-term liabilities

	1998	1997
short-term portion long-term liabilities	**-**	50.5
dividend	**125.0**	120.2
taxes	**14.6**	16.9
fixed-term loans and overdrafts	**3.2**	65.7
investment obligations	**234.1**	8.5
creditors and other liabilities	**78.4**	74.8
	455.3	336.6

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 1998 agreement was reached with third parties to sell property in 1999 to the value of NLG 4.9 mln.

Notes to the consolidated profit and loss account for 1998

(× NLG 1 mln)

1 Net rental income

	Gross rental income		Operating costs		Net rental income	
	1998	1997	**1998**	1997	**1998**	1997
The Netherlands	**68.7**	67.2	**7.5**	9.2	**61.2**	58.0
Belgium	**30.5**	35.5	**1.3**	2.3	**29.2**	33.2
France	**22.5**	24.8	**2.4**	3.6	**20.1**	21.2
Spain	**3.4**	4.1	**0.6**	2.2	**2.8**	1.9
Germany	**1.1**	3.7	**0.2**	0.3	**0.9**	3.4
Hungary	**1.5**	1.6	**-**	0.3	**1.5**	1.3
United Kingdom	**59.8**	58.4	**9.1**	10.2	**50.7**	48.2
United States	**36.5**	35.8	**15.7**	15.0	**20.8**	20.8
	224.0	231.1	**36.8**	43.1	**187.2**	188.0
Offices	**108.7**	114.4	**24.2**	28.0	**84.5**	86.4
Shops	**80.3**	84.1	**8.6**	11.0	**71.7**	73.1
Other	**35.0**	32.6	**4.0**	4.1	**31.0**	28.5
	224.0	231.1	**36.8**	43.1	**187.2**	188.0

Loss of rental income due to voids amounted to 6.8% of the theoretical rent (1997: 6.4%). The theoretical rent is the sum of gross rental income and the loss of rent due to voids.

		1998		1997
2 Interest costs				
interest paid		**47.4**		48.9
interest received	./.	**6.7**	./.	6.7
		40.7		42.2
less: capitalised interest	./.	**5.9**	./.	2.3
		34.8		39.9
3 General costs				
personnel		**6.1**		8.8
remuneration of Supervisory Board		**0.3**		0.3
external advisors' and auditors' fees		**1.9**		2.0
other		**4.1**		4.6
		12.4		15.7
less: costs of asset management	./.	**3.0**	./.	3.8
		9.4		11.9

4 **Other**

Salaries amounted in total to NLG 12.5 mln (1997: NLG 11.8 mln), social security contributions to NLG 1.8 mln (1997: NLG 2.1 mln), and pension costs to NLG 1.9 mln (1997: NLG 3.7 mln). Of the total of NLG 16.2 mln, NLG 5.3 mln is included in general costs (personnel), NLG 9.8 mln in operating costs and NLG 1.1 mln in investments. The remuneration of the members of the Board of Management and former Board members amounts to NLG 1.3 mln (1997: NLG 1.3 mln) including social security contributions and pension costs. An average of 100 people has been employed by the Group during 1998 (1997: 105).

Company balance sheet at December 31, 1998

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

	note	1998		1997	
Assets					
Investments					
property investments		**609.8**		585.4	
investments in group companies	1	**1,234.9**		1,038.3	
other financial investments	2	**411.2**		337.9	
			2,255.9		1,961.6
Accounts receivable	3		**3.3**		0.9
Other assets			**34.0**		122.0
			2,293.2		2,084.5
Liabilities					
Shareholders' equity					
issued share capital	4	**346.6**		337.4	
share premium	5	**1,377.9**		1,387.1	
revaluation reserve	6	**./. 566.5**		./. 571.3	
general reserve	7	**607.0**		527.5	
			1,765.0		1,680.7
Long-term debt					
loans	8	**301.0**		164.2	
other liabilities		**–**		1.0	
			301.0		165.2
Short-term debt	9		**227.2**		238.6
			2,293.2		2,084.5

* See notes 9 on page 36 and the proposed distribution of profits under 'Other information' on page 37.

Company profit and loss account for 1998

(× NLG 1 mln)

	note	1998	1997
result of group companies		**85.0**	78.0
other result	10	**57.6**	58.0
Profit after tax		**142.6**	136.0

Notes to the company balance sheet at December 31, 1998 and the profit and loss account for 1998

(× 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:	1998	1997
balance at January 1	**1,038.3**	907.1
investments, in balance	**187.7**	3.1
	1,226.0	910.2
results	**85.0**	78.0
valuation adjustments	./. **14.3**	111.7
profit distributions	./. **61.8**	./. 61.6
balance at December 31	**1,234.9**	1,038.3

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 411.2 mln (1997: NLG 337.9 mln) is included under other financial investments.

3 Accounts receivable

On account of intercompany relations NLG 1.0 mln (1997: 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)	Authorised (NLG)	In issue at December 31 (NLG) 1998	1997
ordinary shares	20	500,000,000	**339,134,960**	329,907,540
preference shares	20	250,000,000	**30,000,000**	30,000,000
'A'priority shares	20	200	**200**	200
'B'priority shares	20	249,999,800	**–**	–
		1,000,000,000	**369,135,160**	359,907,740
less: uncalled preference capital			**./. 22,500,000**	./. 22,500,000
		1,000,000,000	**346,635,160**	337,407,740

Movements in issued share capital:

	1998	1997
balance at January 1	**329.9**	320.8
stock dividend	**9,2**	9.1
balance at December 31	**339.1**	329.9

At December 31, 1998 there are 16,956,748 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'.

	1998	1997
5 Share premium		
balance at January 1	**1,387.1**	1,396.2
stock dividend	**./. 9.2**	./. 9.1
balance at December 31	**1,377.9**	1,387.1

The share premium at December 31, 1998 includes an amount of NLG 1,346 mln exempted from tax (1997: NLG 1,356 mln).

	1998		1997
6 Revaluation reserve			
balance at January 1	./. **571.3**	./.	662.6
valuation adjustments on investments	**40.9**		31.8
exchange rate differences	./. **46.0**		67.7
movements in contingent tax liabilities	./. **18.0**	./.	8.6
other movements	**27.9**		0.4
balance at December 31	./. **566.5**	./.	571.3

Of the movement of NLG 4.8 mln in the year under review NLG 16.0 mln can be characterised as realised and – NLG 11.2 mln as not realised.

	1998	1997
7 General reserve		
balance at January 1	**527.5**	455.5
retained cash dividends	**60.2**	55.9
added according to proposal for distribution of profits	**19.3**	16.1
balance at December 31	**607.0**	527.5

8 Loans

On account of intercompany relations NLG 27.1 mln (1997: NLG 64.2 mln) is included under loans.

9 Short-term liabilities

Short-term liabilities include the sum needed to meet dividend obligations in respect of the 1998 financial year, should all shareholders opt for a cash dividend. On account of intercompany relations an amount of NLG 61.7 mln (1997: NLG 83.9 mln) is also included under short-term liabilities.

10 Other results

On account of intercompany relations interest income to the amount of NLG 9.7 mln (1997: NLG 10.5 mln) is included in these results.

11 Items not included in the balance sheet

In 1998 the company has entered into forward sale transactions of GBP of 45 mln. These transactions have a remaining duration of 2 months. The company has given guarantees on behalf of group companies to third parties for a total amount of NLG 349 mln (1997: NLG 471 mln).

Supervisory Board

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

Board of Management

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

The Hague, February 25, 1999

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-months 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 5.40% 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 dividend in cash together with a tax free dividend in the form of bonus shares, charged to the tax-exempted share premium reserve. This amount in cash and accompanying distribution rate for the bonus shares will be announced on March 18, 1999. That part of profits which is not paid out in cash will be added to the general reserve.

(× NLG 1 mln)	1998	1997
Direct investment result	**142.6**	136.0
Preference dividend and dividend		
'A' priority shares	**0.4**	0.4
Ordinary dividend *)	**122.9**	119.5
Addition to general reserve	**19.3**	16.1
	142.6	136.0

*) 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 prioriteitsaandelen van de naamloze vennootschap: Wereldhave N.V. (Foundation for the holding of priority shares of Wereldhave N.V.). The Supervisory and Management Boards of Wereldhave N.V. manage this foundation. The most important rights of the holders of 'A' and 'B' priority shares involve fixing the number of members of the Management and Supervisory Boards of the Company and the placing of a binding nomination list for their appointment. There are no 'B' priority shares issued. 1,350,000 of the preference shares are held by the Stichting tot het houden van preference en prioriteitsaandelen B Wereldhave (Foundation for the holding of preference shares and B priority shares Wereldhave). The management of the Foundation consists of Messrs. H. Zomerplaag (Chairman), H.J.A.F. Meertens and 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 1998 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, 1998 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 Investment Institutions Supervision act (Wet toezicht beleggingsinstellingen).

PricewaterhouseCoopers N.V.

The Hague, February 25, 1999

Consolidated balance sheet at December 31, 1998 in Euro

after proposed distribution of profits (× EUR 1 mln)

	1998		1997	
Assets				
Investments				
Property investments		**1,269.6**		1,090.4
Accounts receivable		**38.2**		9.8
Other assets		**30.3**		126.2
		1,338.1		1,226.4
Liabilities				
Shareholders' equity		**800.9**		762.7
Provisions		**17.6**		20.5
Long-term debt				
loans	**309.5**		286.1	
other liabilities	**3.5**		4.4	
		313.0		290.5
Short-term liabilities		**206.6**		152.7
		1,338.1		1,226.4

Consolidated profit and loss account for 1998 in Euro

(× EUR 1 mln)

	1998				1997			
Investment income								
gross rental income		**101.6**				104.9		
operating costs	./.	**16.7**			./.	19.6		
net rental income				**84.9**				85.3
Costs								
interest costs	./.	**15.8**			./.	18.1		
general costs	./.	**4.2**			./.	5.4		
			./.	**20.0**			./.	23.5
result before tax				**64.9**				61.8
taxes on corporate income			./.	**0.2**			./.	0.1
Profit after tax				**64.7**				61.7

Consolidated cash flow statement for 1998 in Euro

(× EUR 1 mln)

	1998		1997	
Cash flow from operational activities				
direct investment result	**64.7**		61.7	
movements in accounts receivable	**./. 28.4**		8.0	
movements in other assets	**–**		0.3	
movements in short-term liabilities	**52.3**		23.5	
movements in provisions	**./. 11.1**		0.3	
		77.5		93.8
Cash flow from investment activities				
investment in property	**./. 319.2**		./. 83.5	
disposals of property	**131.6**		217.0	
other movements in revaluation reserve	**12.8**		0.3	
		./. 174.8		133.8
Cash flow from finance activities				
new loans/redemptions	**33.4**		./. 102.4	
movements in other long-term liabilities	**./. 0.9**		./. 0.6	
dividend	**./. 27.0**		./. 27.6	
other movements in revaluation reserve	**./. 0.1**		./. 0.1	
		5.4		./. 130.7
net cash flow		**./. 91.9**		96.9
exchange rate differences		**./. 3.9**		./. 16.2
Decrease/increase in cash and bank balances		**./. 95.8**		80.7

Movements in shareholders' equity in 1998 in Euro

(× EUR 1 mln)

	1998				1997			
Direct investment result – profit after tax				**64.7**				61.7
Indirect investment result – movements in reserves as a result of differences in valuations and exchange rates	./.	**10.5**				41.2		
– other		**12.7**				0.2		
				2.2				41.4
Proposed dividend			./.	**56.0**			./.	54.4
Dividend not paid out for 1997 resp.1996				**27.3**				25.4
Increase in shareholders' equity				**38.2**				74.1

Company balance sheet at December 31, 1998 in Euro

after proposed distribution of profits (× EUR 1 mln)

	1998		1997	
Assets				
Investments				
property investments	**276.7**		265.6	
investments in group companies	**560.4**		471.2	
other financial investments	**186.6**		153.3	
		1,023.7		890.1
Accounts receivable		**1.5**		0.4
Other assets		**15.4**		55.4
		1,040.6		945.9
Liabilities				
Shareholders' equity				
issued share capital	**157.3**		153.1	
share premium	**625.3**		629.4	
revaluation reserve	./. **257.1**		./. 259.2	
general reserve	**275.4**		239.4	
		800.9		762.7
Long-term debt				
loans	**136.6**		74.5	
other liabilities	–		0.4	
		136.6		74.9
Short term debt		**103.1**		108.3
		1,040.6		945.9

Company profit and loss account for 1998 in Euro

(× EUR 1 mln)

	1998	1997
result of group companies	**38.6**	35.4
other result	**26.1**	26.3
Profit after tax	**64.7**	61.7

Supervisory Board Wereldhave N.V.

J.F. Visser (67)
- 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
- Member of the Supervisory Boards of Canada Trust Bank N.V. and N.V. PROAV
- Member of Amsterdam Stock Exchange Complaints Commission
- Substitute Judge, Utrecht District Court

P.J. Vinken (71)
- Former chairman of Supervisory Board of Elsevier N.V.
- Member of Wereldhave N.V. Supervisory Board since 1980; Vice-Chairman since 1991, a position to which he was re-appointed in 1998
- Member of the Supervisory Boards of several companies including Reed International Plc

F.H.J. Boons (58)
- 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
- 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 (63)
- Former mayor of Hengelo, Overijssel
- Member of Wereldhave N.V. Supervisory Board since 1992, a position to which he was re-appointed in 1998
- Part-time professorships in Public-Private Co-operation and Public Management, University of Twente
- Member of the Supervisory Boards of several companies, including NBM-Amstelland N.V.

H.M.N. Schonis (55)
- 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 a period of two years of Mr Visser will be proposed at the Annual General Meeting of Shareholders on March 25, 1999. Having reached the staturoy retirement age, Mr Vinken is not eligible for re-election. The Duties of Mr Vinken will be taken over by the other members of the Board. None of the members of the Supervisory Board holds shares or options in Wereldhave N.V.

WERELDHAVE

Property portfolio

Investment properties at December 31, 1998

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

Location	Type	m^2	Parking spaces	Year of construction or renovation	Annual rent 1999 (×NLG 1 mln)
Belgium (67.73%)					
Brussels					
1-8 Boulevard Bischoffsheim	office	8,700	102	1988	4.5
22-25 Boulevard Bischoffsheim	office	4,000	43	1990	1.8
6 Muntplein/Schildknaapstraat	office	5,200	23	1987	2.0
58 Regentlaan	office	2,100	23	1975	0.8
Liège					
1 Quai des Vennes	shopping centre	20,300	1,118	1995	9.5
Nijvel					
10 Steenweg op Bergen	shopping centre	10,400	542	1995	2.6
Doornik					
22 Boulevard Walter de Marvis	shopping centre	9,700		1996	2.2
properties with an open marketvalue less than NLG 10 mln		6,100			2.1
		66,500			25.5
France					
Paris and environs					
56 Rue du Faubourg Saint Honoré/ 4-14 Rue d'Aguesseau (50%)	office	6,400	50	1986	4.6
Shopping Centre Parinor, Le Haut de Galy, Aulnay-sous-Bois	shopping centre	32,400		1996	17.6
		38,800			22.2
Hungary					
Budapest					
properties with an open market value of less than NLG 10 mln		3,200	37		1.5
The Netherlands					
Alphen aan de Rijn					
35 A. van Leeuwenhoekweg	other commercial space and office	11,400		1971	1.2
Amsterdam					
64 Hornweg	other commercial space and office	12,400		1991	1.5
Arnhem					
Shopping Centre Kronenburg (leasehold till 2110)	shopping centre and office	34,400	1,000	1985	13.2
Best					
4 Brem	other commercial space	11,300	690	1971	1.7
Deventer					
2 Duisburgstraat	other commercial space and office	18,300		1973	1.0
Doorn					
Park Boswijk, Boswijklaan	apartments	33,300		1996	3.8
Etten-Leur					
Shopping Centre Etten-Leur	shopping centre and office	21,300		1980	5.5
Geldrop					
62-89A Heuvel and 1,3,5,15 Achter de Kerk	shops with apartments	5,900		1996	1.7
The Hague and environs					
366-370 Sir Winston Churchilllaan, Rijswijk	office	50,000	656	1986	8.2
1-8 Koningin Julianaplein	office	11,600	79	1993	3.4
35 Rotterdamseweg, Rijswijk	other commercial space and office	56,500		1993	5.4
2-6 Nieuwe Havenstraat, Voorburg	office	19,000	351	1988	3.9
12 Veraartlaan, Rijswijk	office	5,600	87	1991	1.3
Leiderdorp					
Shopping Centre Winkelhof	shopping centre	14,800	750	1990	5.4
Nuth					
15 Thermiekstraat	other commercial space	17,000	690	1987	2.4
Roosendaal and environs					
23 Borchwerf	other commercial space and office	15,400		1974	1.1
6 Middenweg, Moerdijk (municipality Zevenbergen)	other commercial space and office	8,800		1988	2.1
Utrecht					
1 Rutherfordweg	other commercial space and office	12,900		1994	1.3
properties with an open market value less than NLG 10 mln		51,600			6.3
		411,500			70.4
Spain					
Madrid					
2 Plaza de la Lealtad	office	3,000		1972	1.5
15 Calle Fernando El Santo	office	3,250	43	1993	1.1
		6,250			2.6

Location	Type	m²	Parking spaces	Year of construction or renovation	Annual rent 1999 (×NLG 1 mln)
United Kingdom					
Gloucester					
63-71 Northgate Street and 14-20 Hare Lane	shops	4,000		1972	1.0
Guildford					
73-75 North Street	office	1,400		1976	1.0
London and environs					
126-134 Baker Street, W1	shops	1,700		1935	1.6
76 Cannon Street, EC4 (leasehold till 2138)	office	800		1988	1.6
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	1.4
14-18 Eastcheap, EC3 (leasehold till 2128)	office	5,200		1991	4.1
31-36 Foley Street, W1	office	3,300	12	1993	2.8
11-12 Haymarket, SW1	office	1,100		1988	1.4
65 Kingsway, WC2	office	6,000		1986	3.2
1-5 Lower George Street and 1 Eton Street, Richmond upon Thames	shops	2,900	10	1963	1.2
56-70 Putney High Street, SW15	shops	4,200	44	1971	1.6
10-12A Thames Street and 1, 2 and 5 Curfew Yard, Windsor	office	1,500	53	1972	1.3
Northampton					
100 Pavillion Drive	office	11,000		1991	6.3
Redhill					
Grosvenor House, 65/71 London Road	office	4,700	150	1986	2.6
Rickmansworth					
Olds Approach, 1 Tolpits Lane	other commercial space	7,800		1993	1.3
Sittingbourne					
Trinity Trading Estate	other commercial space	36,500	200	1982	5.2
Sheffield					
Penistone Road	shops	3,900		1986	1.2
Wakefield					
24-28 Teall Street and 12-29 The Springs	shops	3,100	350	1988	1.2
Warwick					
Warwick Technology Park, Gallows Hill	office	21,800		1992	8.9
Whyteleafe					
439/455 Godstone Road	office	7,300	270	1964	2.1
Yeovil					
Bay 6 Lynx Trading Estate	shops	2,900		1986	0.9
properties with an open market value less than NLG 10 mln		61,760			18.2
		197,760			71.2
United States					
Dallas					
1910 Pacific Place	office	29,700	14	1982	5.9
Irving					
161 Corporate Center	office	9,700		1998	4.1
4600 Regent Boulevard	office	7,400		1998	1.9
Livonia					
19500 Victor Parkway	office	10,300		1998	4.1
Philadelphia					
1515 Market Street	office and shops	46,900		1986	15.6
Pittsburgh					
3000 Park Lane	office	9,800		1998	3.9
Washington D.C.					
1401 New York Avenue	office	17,800	165	1984	8.7
		131,600			44.2
Total		855,610			237.6

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

Troostwijk Roux Expertises cvba, Antwerp
TWK U.K. Ltd., London

Summary of investment properties

The following is a summary of the open market value of the Group's investment properties at December 31, 1998. Dutch guilders have been converted at rates of exchange ruling at December 31, 1998. The annual rent is shown on the assumption that the buildings are fully let and before deducting operation costs.

(× NLG 1 mln)	Offices		Shops		Other properties		Total	
	open market value	annual rent	open market value	annual rent	open market value	annual rent	open market value	annual rent
Belgium	108.8	10.4	170.3	15.1	0.0	0.0	279.1	25.5
France	68.6	4.6	224.9	17.6	0.0	0.0	293.5	22.2
Hungary	8.7	1.5	0.0	0.0	0.0	0.0	8.7	1.5
The Netherlands	132.8	18.2	257.8	25.8	234.8	26.1	625.4	70.1
Spain	31.9	2.6	0.0	0.0	0.0	0.0	31.9	2.6
United Kingdom	458.8	41.1	195.5	19.1	90.2	10.7	744.5	71.2
United States	356.6	44.2	0.0	0.0	0.0	0.0	356.6	44.2
Total	1,166.2	122.9	848.5	77.6	325.0	37.1	2,339.7	237.6

General lease conditions

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

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

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

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

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

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

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

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

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

Development projects
(Projects with a value above NLG 10 mln)

Belgium
Brussels

30 Rue Joseph II	Reconstruction of an office building of 18,850 m² and 170 parking places. Completion January 1999.
Vilvoorde	Development in phases of a total of approx. 22,000 m² office space. First phase consists of approx. 10,000 m², to be completed in the first quarter of 2000.

France

Levallois-Perret: ilot Kleber	Office building of 20,000 m². Completion last quarter of 1999.
Dunkirk, Marine	Retail and leisure centre of 20,200 m², consisting of a cinema and shopping space. Completion third quarter 1999.

Netherlands

Delft, Delftechpark	Office building "XX" of 2,000 m² and 38 parking places. Completion January 1999.
Leiderdorp, Winkelhof	Expansion of the shopping centre with approx. 2,450 m². Completion third quarter 1999.

United States

Austin, The Park	Office building of approx. 9,000 m². Completion August 1999.
Austin, Lakewood	Office building of approx. 8,900 m². Completion September 1999.
Allen	Office building of approx. 10,700 m² with completion in July 1999.
Freeport 1	Office building of approx. 7,400 m², to be completed in March 1999.

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