

## **Wereldhave N.V.: Results First Half 2017**

### **Press release**

#### **Results first half 2017 Wereldhave N.V.**

**July 25, 2017**

### **FIRST HALF 2017**

Continued strong performance in the Netherlands, stable in Belgium, a recovery in Finland and headwind in France.

Occupancy rate shopping centres at 95.4% (YE 2016: 95.5%)

Total result: € 74.2m (H1 2016: € 9.6m)

Direct result: € 75.2m (H1 2016: € 77.7m)

Direct result per share: € 1.72 (H1 2016: € 1.77)

Indirect result: € - 0.9m (H1 2016: € - 68.1m)

Like-for-like shopping centres 0.0% (index: 0.8%)

EPS 2017 expected to be between € 3.40 and € 3.45

Wereldhave share will list ex-dividend today

Interim dividend 2017: € 0.77 per share (2017: € 3.08; 2016: € 3.08)

### **HIGHLIGHTS**

#### **OPERATIONS**

- Occupancy increases in Belgium and the Netherlands, flat in Finland and down in France
- Occupancy rate of shopping centres at 95.4% (YE 2016: 95.5%)
- Like-for-like positive in Finland and the Netherlands, negative in Belgium and France
- Increase in footfall of 0.8% from 72.2m to 72.8m shopping centre visitors

#### **RESULTS H1 2017**

- Total result : € 74.2m (H1 2016: € 9.6m)
- Direct result: € 75.2m (H1 2016: € 77.7m)
- Indirect result: € - 0.9m (H1 2016: € - 68.1m)
- Property revaluation: € - 2.9m (H1 2016: € - 62.8m)
- Direct result per share: € 1.72 (H1 2016: € 1.77)
- NAV per share (EPRA): € 51.58 (FY 2016: € 51.47)
- Loan-to-Value: 38.9% (FY 2016: 39.0%)

#### **OUTLOOK 2017**

- Outlook of direct result per share between € 3.40 and € 3.45
- Quarterly interim dividend of € 0.77, or € 3.08 on a full year basis

### **Our markets**

#### **The Netherlands**

The retail market in the Netherlands is gaining momentum against the backdrop of an improving economic climate. The number of retailer bankruptcies decimated compared to the first half of 2016 and demand for retail floor space is increasing. Demand, however, remains selective in terms of location quality, and is concentrating on larger cities with demographic growth. Our focus on strong food anchored shopping centres and our refreshment and refurbishment initiative clearly strengthens the resilience of

our portfolio. It attracts new tenants and protects us from retailers that are rationalising their store base. Recent examples include the Decathlon coming to Tilburg and Only for Men opening in Nieuwegein. In May, Blokker announced plans to significantly reduce their number of shops by nearly 20%. These plans have no impact on Wereldhave as not one of the 12 Blokker stores in our centres will be closed, due to their relatively strong performance in sales per m<sup>2</sup>. Our excellent key account management relations continued to pay off. We agreed on a package deal for a lease extension of nearly half of all Blokker format related leases with a sales based rent component, whereby Blokker decided to add one shop to one of our centres.

Upcoming store openings, especially new formats and concepts, will, over the next few months, further add to the momentum. In Tilburg, Hudson's Bay (13,300 m<sup>2</sup>) and the new HEMA format (3,300 m<sup>2</sup>) will open, together with a Decathlon (2,900 m<sup>2</sup>). In Arnhem the first C&A new concept store in the Netherlands will open in Kronenburg. In Maassluis, Action, Aldi and HEMA will open new shops. In Purmerend, Sportsworld will open a shop on the first floor of the former V&D department store. These examples show that retailers are appreciating Wereldhave's refurbishment scheme and that our product remains attractive in a rationalising retail market.

### **Belgium**

The Belgian economy currently shows some clear early signs of improvement. Retailers are however facing a more competitive environment, as online sales accelerate, albeit still at lower levels than in neighbouring countries. The fashion segment, in particular, is challenging and many large fashion anchor chains are actively seeking to reduce their occupancy costs.

Belgian retailers increasingly focus on larger shopping centres in urbanised areas. Rental levels in these centres remain stable. Smaller towns and centres are more vulnerable for retailers that are downsizing. For Wereldhave, the shopping centres in Liege, Tournai and Nivelles are firmly on the positive side of this equation, whilst Kortrijk and Genk still have difficulty in attracting new tenants. In order to support the leasing, free parking was introduced in Genk. This led to an increase in footfall of 16% in May and 13% in June, and sales went up by 12% and 9% respectively. We are positive that our new leasing organisation and the increased efforts for Kortrijk will lead to signings in the second half of the year. The leasing process of the extension of Les Bastions in Tournai is progressing well. We currently have about two-third of the floor space of the extension in the final stages of negotiations, which includes the anchor positions. Smaller units will be let as soon as the main anchors can be announced.

### **Finland**

The Finnish economy is recovering, but this is not yet reflected in retail turnover. International retail chains still have their expansion in Finland on hold and there are almost no new entrants to the market. Itis is Finland's largest shopping mall and still boasts a strong and unique position. Occupancy has remained high and the announcement of a Finnkino to open in Itis has added to the appeal for new food & beverage formats. In June the casino 'Feel Vegas' opened in Itis, immediately strengthening the entertainment and experience offer. The permit to demolish part of the centre in anticipation of the Finnkino works was granted in June 2017. Works have started and the 9-screen Finnkino is to open doors at the end of 2018, with a totally new generation of cinema. It will significantly boost the attractiveness of the centre, not only in number of visitors, but also in general entertainment and an improved food & beverage offer.

### **France**

The election outcome has had a positive impact on market sentiment, but it will take considerable time before reforms will structurally improve the economic climate. Footfall in our centres increased by 0.8%, whereas the market average was a 2.5% drop. Across the board, retail sales in France dropped by 1.9%. Our centres achieved slightly better, with a 1.8% drop in sales. Despite outperforming the market, we regard this to be a disappointing result. A positive note is that our hypermarkets performed well in the past six months. We notice that prospective tenants are taking more time in their decision-making and the number of new leases signed was low. The most important signings were Vapiano in the first quarter of

2017 for the new food court in Saint Sever, Action for Côté Seine in Argenteuil and Mango in Mériadeck, Bordeaux.

Fashion retailers are, in particular, facing headwinds and Wereldhave's centres have a strong representation of fashion. We are confident that we will be able to adapt the tenant mix of our centres to cater for the future need of their catchment area. To facilitate this and further strengthen the relationship with our tenants, we will also implement key account management in France. In the Netherlands, key account management proved to be a valuable tool over the past years to support leasing for assets that face headwind. In Belgium, this approach has been adopted in the beginning of the year and first signs are also positive. The strong development in footfall in our French centres underlines their fundamental attractiveness, but overall market sentiment is subdued.

## OPERATIONS

- Occupancy increases in Belgium and the Netherlands, flat in Finland and down in France
- Occupancy rate of shopping centres at 95.4% (YE 2016: 95.5%)
- Like-for-like positive in Finland and the Netherlands, negative in Belgium and France
- Increase in footfall of 0.8% from 72.2m to 72.8m shopping centre visitors

Occupancy of the shopping centres came out at 95.4%, which is just below the year-end 2016 level of 95.5%.

In the Netherlands, occupancy stood at 96.2% at the end of the second quarter (YE 2016: 95.8%). The disposal of the shopping centres in Zwolle and Zoetermeer, which were fully let, had a -0.2% negative impact on occupancy. This was more than offset by strong leasing activity, with several key new signings. Important new leases are the Decathlon in Tilburg, a Sportsworld in Purmerend and a package deal with Blokker. Footfall in the Dutch shopping centres increased by 0.2% to 37.2m visitors during the first half of the year. Like-for-like rental growth amounted to 0.8%, which is equal to the indexation.

In Tilburg, Decathlon will open a shop on the first floor of the Pieter Vreedeplein. In Purmerend, Sportsworld has leased the first floor of the former V&D department store, bringing occupancy in Purmerend to nearly 100%. A package deal was signed with Blokker for 22 leases, nearly half of the rental contracts with all of their formats in our portfolio. This resulted in a prolonged lease-term at roughly similar rent conditions on average, including a sales-based rent component. Blokker's recent announcement to close down 100 of the 533 stores does not impact Wereldhave, instead they will add one store. HEMA will open new concept stores in Maassluis and Tilburg, the latter being the first shop to have the newest HEMA concept in the Netherlands.

In Belgium, occupancy of the shopping centre portfolio decreased during the first quarter and slightly improved during the second quarter, to reach 95.7% at June 30, 2017 (YE 2016: 95.9%). The occupancy of the Belgian offices portfolio improved by 1.1%, bringing office occupancy to 92% at the end of the first semester. In Kortrijk, a temporary lease was replaced by River Woods and in Genk Stadsplein a lease was signed for a bowling centre. Letting of the 15,000m<sup>2</sup> extension of Tournai is making good progress. Negotiations are in an advanced stage for two thirds of the extension, with all major anchors in place and leasing for the remaining smaller units now to start. Footfall in the Belgian shopping centres increased by 1.4%. Like-for-like rental growth was -1.0%, with the indexation at 1.6%. The result of -2.6% below indexation is primarily caused by the review for the lease of the parking garage in Genk, a strategic decision to facilitate free parking during the first 1.5 hours. Immediately following the introduction of free parking, footfall in Genk increased by 16%.

In France, occupancy decreased to 93.3% at June 30, 2017 (YE 2016: 94.4%). The French shopping centre index reported a drop of 1.9% in sales during the first half of the year (until May) and a 2.5% decrease in footfall. With a 1.8% decrease in sales and a 0.8% increase in footfall, Wereldhave's shopping centres are performing relatively well. The decrease in occupancy is due to tenant bankruptcies,

which were only partially offset, to date, by new leases. Prospective tenants take considerable time in making their decision to sign a new lease and particularly large fashion retailers are seeking to reduce their occupancy costs. New leases that were signed in H1 2017 include a Vapiano for the Verrerie in Saint Sever, Rouen and an Action to open in Côté Seine, Argenteuil, a Rituals store in Rivetoile, Strasbourg and a Mango for Mériadeck, Bordeaux. Rental values are under pressure and like-for-like rental growth in France stood at -5.1%, which is -5.3% below the indexation of 0.2%. The negative like-for-like was strongly impacted by Mériadeck. Net rental income decreased by € 1.1m. Two thirds of this amount can be attributed to higher non-recoverable service charges due to temporary leases and write-offs on debtors, one third to discounts on rents and negative reversions.

In Finland, occupancy at June 30, 2017 stood at 96.3%, an increase against YE 2016 of 0.6%. The largest leases were signed with Indecoria, Feel Vegas and Eurokangas. The permit for the demolition works to prepare for the construction of the Finnkino cinema was granted in June and works have commenced. The 9-screen Finnkino cinema is scheduled to open its doors at the end of 2018. Popularity of Itis remains strong: footfall increased by 2.7% to 8.6m visitors during the first half of the year. Like-for-like rental growth amounted to 7.6%, which is 7.3% above indexation. The increase is mainly due to the strong increase in occupancy during the past twelve months and the transfer of the previous Anttila unit to the development portfolio, in connection with Finnkino.

### **Investment portfolio**

In the Netherlands, Wereldhave sold two smaller shopping centres, one in Zwolle and the other in Zoetermeer for € 74.2m, which was above book value at year-end 2016 and above the purchase price for which Wereldhave acquired these two shopping centres in 2015. The proceeds were used to repay debt.

### **Development pipeline**

At June 30, 2017, Wereldhave's committed development portfolio consists of eight projects, one in Finland, two in France, one in Belgium and four in the Netherlands. All projects are within budget and planning.

In Finland, the demolition permit for the former Anttila unit to create room for the Finnkino cinema in Itis was granted in June 2017. The tender for the construction works was completed successfully. Completion of the project is due for the end of 2018. Total costs for the Finnkino cinema including relocation costs will amount to € 24m. The yield on costs for the refurbishment amounts to 4.8%.

In Belgium the expansion of the Tournai shopping centre is making good progress. Completion is scheduled for the first quarter of 2018.

In France, the shell for the Primark in Docks Vauban will be completed in July and tenant fit-out works will start early in August 2017. Works for the Verrerie project at the Saint Sever shopping centre in Rouen are expected to start in the last quarter of 2017. The € 20m project (including refurb) will add a comprehensive food hall to the shopping centre, directly in front of the Kinopolis cinema. More than half of the extension has already been pre-let, with Vapiano as the most important signing.

In the Netherlands, the Tilburg inner city redevelopment scheme to connect the Emmapassage with the Pieter Vreedeplein is making good progress. The Hudson's Bay store will open in the third quarter, as one of the five first HBC shops to open in the Netherlands. The passageway to connect the Pieter Vreedeplein with the Heuvelstraat will be open when the HBC opens its doors to the public. The refurbishment of the HEMA at the Heuvelstraat will start in August 2017, the first HEMA store in the Netherlands with the new format. This clearly shows that retailers recognise the success of the project and are willing to actively participate. Another example is the lease that was signed with Decathlon for a 2.900 m<sup>2</sup> shop on the first floor of the Pieter Vreedeplein, to open early November of this year.

In Capelle aan den IJssel, construction has started of a parking garage for 280 cars and the creation of a food court and new passageways, connecting both sides of the centre. This € 28m investment will be

completed in Q3 2018. Work in Maassluis for the fifth and sixth phase of the redevelopment of Koningshoek is progressing well. The centre will be extended by 5,000m<sup>2</sup>, which is already fully let. HEMA and Aldi will open their shops in July and an Action shop will open in November 2017.

In Arnhem, the refurbishment of the Presikhaaf shopping centre is also progressing well. Several anchor tenants will be relocated within the centre, to make the lay-out more attractive. The anchors such as Albert Heijn, HEMA, Intertoys, Blokker, Big Bazar and Xenos unanimously decided to stay within the centre when the refurbishment was announced. They are now actively upgrading their shop formats, in line with the refurbishment of the mall. Albert Heijn decided to extend its floor space and Aldi decided to open a shop in Presikhaaf. Completion of the € 19m refurbishment and extension is on schedule for 2019, with an anticipated net initial yield on costs of 6.8%.

### **Organisation**

The reorganisation of the Dutch head office and management organisation was successfully completed in the first quarter of 2017. The creation of four business units, each with four shopping centres, has not led to any disruption in operations or leasing. Headcount in the holding staff decreased by 3 to 23 persons and in the Dutch management organisation by 17 to 47 persons at the end of June 2017. Total costs of the reorganisation amounted to € 1.6m.

### **RESULTS H1 2017**

- Total result : € 74.2m (H1 2016: € 9.6m)
- Direct result: € 75.2m (H1 2016: € 77.7m)
- Indirect result: € - 0.9m (H1 2016: € - 68.1m)
- Property revaluation: € - 2.9m (H1 2016: € - 62.8m)
- Direct result per share: € 1.72 (H1 2016: € 1.77)
- NAV per share (EPRA): € 51.58 (FY 2016: € 51.47)
- Loan-to-Value: 38.9% (FY 2016: 39.0%)

#### **Total result**

The total result for the first half of 2017 amounts to € 74.2m (H1 2016: € 9.6m). Compared to the first half of 2016, the direct result decreased by 3%. The indirect result for the first semester was € -0.9m, against € -68.1m in H1 2016. The total result per share amounted to € 1.69 (H1 2016: € 0.09).

#### **Direct result**

The direct result for the first half of the year amounted to € 75.2m against € 77.7m in 2016.

Net rental income decreased by € 3.2m. In Belgium, net rental income decreased by € 0.5m, mainly from vacancy in the offices portfolio and a provision for debtors in the offices portfolio. In Finland, higher occupancy resulted in an increase of net rental income by € 0.3m. In France net rental income decreased by € 1.1m, of which two thirds from higher non-recoverable service charges and write-offs on debtors and one third from lower rents. In the Netherlands, net rental income decreased by € 1.9m compared to the first half of 2016. This decrease is caused by the disposals in 2016 of the Pathé cinema in Tilburg and a shopping centre in Geldrop and in 2017 of Zwolle and Zoetermeer, which had a negative impact on net rental income of € 1.5m. This was offset by the acquisitions of HBC and HEMA in Tilburg with rental income of € 1.2m and a positive like-for-like rental growth of € 0.4m. Transfer of units to the development portfolio and other items caused a drop of net rental income of € 0.9m. Net rental income in H1 2016 included € 1.1m one-offs relating to the payments for the surrender of leases, which were not repeated in H1 2017.

The € 1.6m restructuring costs for the reorganisation in the Netherlands were fully offset against savings of an equal amount as a result of reduced headcount. The annualised savings of the reorganisation in Q1 2017 will amount to approx. € 2.0m in 2018. Interest costs for the first six months decreased by € 1.0m. The direct result per share amounted to € 1.72 (H1 2016: € 1.77).

### Indirect result

The property valuation results amounted to € - 2.9m. There was a negative revaluation in France (€ -16.7m). Yield compression in France continued, but this was absorbed by a negative revaluation from lower market rents. In Finland and Belgium the values of the portfolio remained flat. Decreases in value of the Belgian offices portfolio of € -2.2m were offset by an equal upward valuation of the shopping centre portfolio. In the Netherlands, the value of the portfolio increased by € 14.3m.

The indirect result was also impacted by others items, mainly non-cash such as valuation of derivatives and the deferred tax liability amounting to € 2.0m, resulting in a total indirect result of € - 0.9m.

The EPRA net initial yield of the shopping centres as at June 30, 2017 amounted to 5.1%.

### Equity

On June 30, 2017, shareholders' equity including minority interest amounted to € 2,172.0m (December 31, 2016: € 2,161.2m). The net asset value per share (EPRA) including current profit stood at € 51.58 at June 30, 2017 (December 31, 2016: € 51.47). As at that date, the number of ordinary shares in issue amounted to 40,270,921.

### Financing

In the first half of 2017 Wereldhave refinanced its 2014 €300m syndicated revolving credit facility with a new €300m syndicated revolving credit facility pushing the maturity out to February 2022. The 2014 facility was due to expire in March 2019. The new facility takes advantage of favourable market conditions, features two one-year extension options and includes a €100m accordion feature.

Further, a €30m maturing bilateral revolving credit facility of Wereldhave Belgium was refinanced with a €30m seven year term loan. In May 2017 Wereldhave N.V. established a Euro Medium Term Note Programme to diversify its funding base. A first private placement of bonds documented under this programme was done in July 2017.

Nominal interest bearing debt was € 1,498.5m at June 30, 2017, which, together with a cash balance of € 15.3m, gives a net debt of € 1,483.2m. Undrawn committed borrowing capacity amounted to € 234m and the Loan-to-Value ratio amounted to 38.9% (December 31, 2016: 39.0%). As at June 30, 2017, 83% of Wereldhave's debt portfolio was at fixed interest rates. The weighted average maturity of the debt portfolio amounted to 5.0 years and the average cost of debt and ICR were 1.95% and 6.7x respectively.

### Interim dividend and dividend dates in 2017/2018

The Wereldhave share will list ex-dividend today. The first interim dividends of € 0.77 in respect of 2017 will become payable quarterly. The final dividend will be announced with the full-year 2017 results, in February 2018.

| Ex-dividend              | Record date      | Payment date     |                  |
|--------------------------|------------------|------------------|------------------|
| Interim dividend 2017 #1 | July 25, 2017    | July 26, 2017    | July 27, 2017    |
| Interim dividend 2017 #2 | October 24, 2017 | October 25, 2017 | October 27, 2017 |
| Interim dividend 2017 #3 | January 23, 2018 | January 24, 2018 | January 26, 2018 |
| Final dividend 2017      | April 24, 2018   | April 25, 2018   | April 30, 2018   |

### OUTLOOK 2017

Wereldhave narrows its outlook, with the direct result per share for FY 2017 expected to be between € 3.40 and € 3.45. The quarterly interim dividend is maintained at € 0.77, or € 3.08 on a full year basis.

Schiphol, 25 July 2017

Wereldhave N.V.  
**Board of Management**  
D.J. Anbeek, CEO  
R.J. Bolier, CFO

**Conference call / webcast**

Wereldhave will present the results for the first half year of 2017 via a webcast and conference call at 10.00 CEST, today. This webcast will be available at [www.wereldhave.com](http://www.wereldhave.com).

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